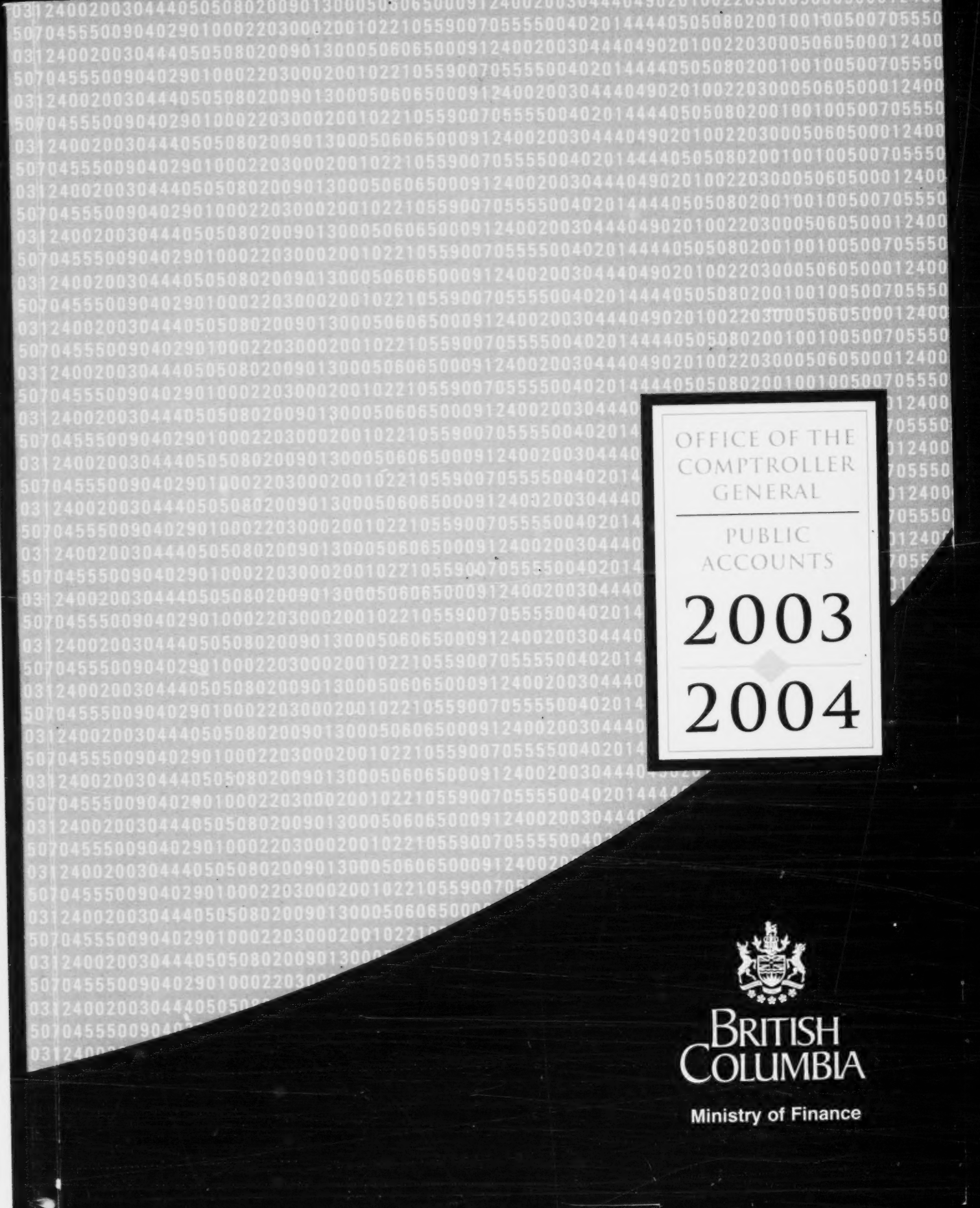
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2003
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Ministry of Finance

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For the Fiscal Year Ended
March 31, 2004

2003/2004

BRITISH COLUMBIA

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June 29, 2004
Victoria, British Columbia

Lieutenant Governor of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour to present the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2004.

GARY COLLINS
Minister of Finance

Ministry of Finance
Victoria, British Columbia

Honourable GARY COLLINS
Minister of Finance

I have the honour to submit herewith the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2004.

Respectfully submitted,

ARN VAN IERSEL
Comptroller General

British Columbia's Public Accounts

Setting the Course

The Public Accounts are one of the major accountability documents for the Provincial Government. They demonstrate accountability to the citizens of British Columbia by providing actual audited financial information in a consistent, timely and understandable format. They further allow the reader to see how government performed relative to its fiscal plan for the year, as laid out in the Budget and Estimates of revenue and expenditure. Finally, they report on the financial state of the Province in terms of its assets, liabilities and net debt.

The proper focus of the Public Accounts is the Summary Financial Statements that represent the consolidated financial results and financial position for all those organizations that make up the government reporting entity. These statements provide an aggregate overview of how the Province and its various organizations performed against the financial plan. Supplementary information is also provided through the Consolidated Revenue Fund Extracts (available on the internet) that compare actual to planned spending on an appropriation basis, which represents another significant accountability of ministries back to the Legislative Assembly.

The Province continues to improve the Public Accounts in terms of their usefulness to readers. A new front section has been developed for Fiscal 2003/04, that provides a summary of the fiscal year. It further provides explanations of revenue, expense, assets and liabilities that tie into both the 2003/04 budget and the 2003/04 financial statements. This section is intended to make the Public Accounts more understandable and continues our effort to better integrate all our major financial accountability documents. Our intention is to further improve this section of the Public Accounts in the coming years by adding comparative data for prior years so that readers can better identify trends. The Public Sector Accounting Board also has a project to develop segmented financial reporting that will provide information on the major components of government. They intend this initiative to address some current concerns that the government entity has become so large and has lost some of its meaningfulness in terms of describing the government's major responsibilities, for example, health and education.

The 2003/04 Public Accounts are themselves, a transition document given that the government reporting entity, that is, those organizations considered to be part of government, has already been expanded in the 2004/05 budget, to include schools, universities, colleges, and health authorities(SUCH sector). However, since these Public Accounts are a report against the 2003/04 Budget that did not include the SUCH sector, they do not yet officially include these organizations. As has been the case for the past eight years, however, the projected impact of including SUCH sector is shown in the supplementary material (see page 83-86). Recognizing that as of 2004/05 and beyond, the Public Accounts will be based on the larger government reporting entity, we have provided some additional information on the impact of SUCH sector. Consistent with recent experience, adding in the SUCH sector would have improved our bottom line, as acknowledged by the auditor general, by $337 million.

As the 2003/04 Public Accounts are still based on the old reporting entity and do not officially include the SUCH sector, the statements again include a reservation by the Auditor General in keeping with the past number of years. As of 2004/05, with the expanded entity being included in the budget, we expect this reservation will disappear. The government has agreed to include the SUCH sector effective 2004/05, based on our legal requirement to follow Generally Accepted Accounting Principles (GAAP). British Columbia, therefore, leads the country in terms of the organizations it includes in its reporting entity. We have stated, however, that with respect to universities, we will monitor the practices of other senior governments to determine if universities truly should be considered part of government in the long term.

Besides the SUCH sector, there have been other changes to the reporting entity for 2003/04. New organizations have been added, while others have been deleted, and some have changed status. Major changes include the conversion of BC Ferries into a new authority model, the transfer of the Pacific National Exhibition to the Municipality of Vancouver, and the starting of operations for the Forestry Innovation Investment Ltd and the Vancouver Convention Center Expansion Project.

There is a complete listing of the reporting entity for government on pages 67-68. For British Columbia Ferry Corporation, page 47, (Assets Held for Resale, Note 11), provides further information. Also, page 65, (Significant Events, Note 34), provides information regarding the BC Rail transaction anticipated to close in 2004/05. This information is provided to show the impact of the BC Rail transaction on the Summary Financial Statements.

Accounting policies are reviewed each year for continued relevance and consistency with GAAP. Since we are required by law to be GAAP compliant, we have to adjust our policies accordingly. For fiscal 2003/04 there were no accounting policy changes, however deferred foreign exchange gains or losses on debt are now included in the reported debt numbers rather than appearing as a deferred revenue or deferred expense.

Policy and format changes are made in consultation with the independent Accounting Policy Advisory Committee created under the *Budget Transparency and Accountability Act* in 2001. This Committee has advised government on the requirements to be fully compliant with GAAP by the legislated date of April 1, 2004. Based on progress to date, we are on track to meet this requirement.

British Columbia remains a leader in budgeting and financial reporting based on the comparability of its Estimates and Public Accounts, with its focus on "One Bottom Line"; that is, the Summary Financial Statements of the Province including ministries, Crown corporations and other agencies. While we continue to go through significant change, we remain dedicated to improving both the budgeting and reporting of the Province.

Again, I thank the Select Standing Committee on Public Accounts of the Legislative Assembly, government ministries, Crown corporations and agencies, and the Office of the Auditor General for their guidance and support in preparing the 2003/04 Public Accounts. The efforts of all participants were critical in maintaining an early release date comparable with the best practitioners in Canada.

Comments or questions regarding the Public Accounts documents are very much appreciated and can be directed to me by mail at PO Box 9413 STN PROV GOVT, Victoria BC V8W 9V1, e-mail at arn.vaniersel@ gems8.gov.bc.ca or by telephone at 250-387-6692 or fax at 250-356-2001.

ARN VAN IERSEL
Comptroller General

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Public Accounts Content

Financial Statement Discussion and Analysis (Financial Highlights)—provides a written commentary on the Summary Financial Statements plus additional information on the financial performance of the government.

Summary Financial Statements—these audited statements have been prepared to disclose the financial impact of the government's activities. They aggregate the Consolidated Revenue Fund and taxpayer–supported Crown corporations and agencies (government organizations) and self–supported Crown corporations and agencies (government enterprises).

Supplementary Information (Unaudited)—this section provides supplementary schedules containing detailed information on the results of those Crown corporations and agencies that are part of the government reporting entity.

Additional information is also included on the impact of including schools, universities, colleges and institutes, and health care authorities in the government reporting entity. Currently, they are not considered part of the government reporting entity because each is part of a province–wide program, is locally based and has an initial accountability to a local board. These organizations will be included in 2004/05.

Consolidated Revenue Fund Extracts (Unaudited)—the Consolidated Revenue Fund (CRF) reflects the core operations of the province as represented by the operations of government ministries and legislative offices. Its statements are included in an abridged form. The CRF Extracts include a summary of the CRF operating result, a schedule of net revenue by source, a schedule of expenses, a schedule of financing transactions, and a schedule of write-off, remission and forgiveness, as required by statute.

Provincial Debt Summary—presents schedules and statements that provide further details on provincial debt and reconcile the Summary Financial Statements to the province's total debt. Also included are the audited Summary of Provincial Debt, Key Indicators of Provincial Debt and Summary of Performance Measures.

This publication is available on the Internet at: www.fin.gov.bc.ca

Additional Information Available

The following information is available only on the Internet at: www.fin.gov.bc.ca

Consolidated Revenue Fund Supplementary Schedules—this section contains schedules that provide details of financial activities of the province's Consolidated Revenue Fund, including details of expenses by ministerial appropriations, including an analysis of statutory appropriations, Special Accounts and Special Funds, and financing transactions.

Consolidated Revenue Fund Detailed Schedules of Payments—this section contains detailed schedules of salaries, wages, travel expenses, grants and other payments.

Financial Statements of Government Organizations and Enterprises—this section contains links to the audited financial statements of those Crown corporations and agencies that are included in the government reporting entity.

Segregated Funds and Trust Funds Financial Statements—this section contains the audited financial statements of the pension, superannuation and long–term disability funds administered by the province. A summary of financial information for trust funds is also included in this section.

Summaries of Financial Statements of Corporations and Agencies to which the Financial Information Act applies—this section contains summaries of the financial statements of corporations, associations, boards, commissions, societies and public bodies required to report under the *Financial Information Act* (R.S.B.C. 1996, chap. 140, sec. 2).

Financial Statement Discussion and Analysis Report

The focus of the province's financial reporting is the Summary Financial Statements that consolidate the operating and financial results of the province's Crown corporations and agencies with the Consolidated Revenue Fund. These are general-purpose statements designed to meet, to the extent possible, the information needs of a variety of users.

The Public Accounts are prepared in accordance with the *Financial Administration Act* and the *Budget Transparency and Accountability Act* (BTAA).

The BTAA was amended in 2001 with the passing of Bill 5. Under section 20 of that Bill, the government has mandated that "all accounting policies and practices applicable to documents required to be made public under this Act for the government reporting entity must conform to generally accepted accounting principles (GAAP)." This move to fully comply with GAAP must be completed effective with the 2004/05 fiscal year.

For senior governments, GAAP is generally considered to be the recommendations and guidelines of the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants. While the province generally follows the recommendations of PSAB, there are two areas that have been or will be reviewed in the move to full GAAP reporting:

i) school districts, universities, colleges and institutes, and health authorities (SUCH sector) were examined to determine whether or not they belong in the government reporting entity (GRE). These organizations will be included in the GRE in 2004/05.

ii) prepaid capital advances, currently used to capitalize grants to entities outside the GRE for tangible capital assets, will be reviewed to determine if they are still required once the move to fully comply with GAAP is complete.

An Accounting Policy Advisory Committee has been established as an independent body and is assisting the province in addressing these two issues.

The Public Accounts are printed in one volume and include the Overview, the Summary Financial Statements, Supplementary Information, the Consolidated Revenue Fund Extracts and the Provincial Debt Summary. Additional information is available to the public on the Internet at: www.fin.gov.bc.ca.

Financial Highlights

Financial Highlights

The information contained within the Financial Highlights is taken from the Summary Financial Statements on pages 31 to 77. The budget figures are from pages 3 to 5 of the *Estimates—Fiscal Year Ended March 31, 2004*.

Despite significant revenue and expenditure shocks in 2003/04, the province ended the year with a deficit of $1,339 million, an improvement of $961 million compared with the budgeted $2,300 million deficit and an improvement of $1,860 million compared with the prior year.

Summary Accounts' Surplus (Deficit)

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
Taxpayer-supported programs and agencies	$	$	$	$	$
Revenue[2]	24,619	24,793	22,887	174	1,906
Expense[2]	(27,800)	(27,891)	(27,577)	(91)	(314)
Taxpayer-supported balance	(3,181)	(3,098)	(4,690)	83	1,592
Self-supported Crown corporation net earnings	1,381	1,881	1,766	500	115
Surplus (Deficit) before unusual items	(1,800)	(1,217)	(2,924)	583	1,707
Results of discontinued operations			(106)		106
Restructuring exit expense		(122)	(169)	(122)	47
Forecast allowance	(500)			500	
Surplus (Deficit) for the year	**(2,300)**	**(1,339)**	**(3,199)**	**961**	**1,860**

[1] The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

[2] 2003/04 Budget excluded $319 million in additional CHST funds from the federal government that were not known at the time of the Budget, but were included in the *Supply Act* passed on May 29, 2003.

Improvements in taxation and energy revenues and self-supported Crown corporation operating results helped to offset unanticipated events, such as reduced Equalization revenues and the costs of forest fires, floods and Bovine Spongiform Encephalopathy (BSE). At the same time, lower debt service costs and ministry savings created additional fiscal room to accommodate priority initiatives, including the acceleration of $72 million of the government's commitment to support the 2010 Olympic and Paralympic Winter Games.

During the 2003/04 fiscal year, the Legislative Assembly approved four Supplementary Estimates totalling $837 million. The Supplementary Estimate authorized the spending of $319 million in federal health accord funding received. The Supplementary Estimates provided information and authorization to support spending of $446 million in additional expenses related to disaster costs, $72 million in accelerated funding for the 2010 Olympics, and $274,000 in additional expenses for the Information and Privacy Commissioner.

Financial Highlights

Changes From 2003/04 Budget

	In Millions		
	Revenues	Expenses	Deficit
	$	$	$
Budget (before forecast allowance)	**26,000**	**27,800**	**(1,800)**
Forecast Allowance			(500)
Surplus (Deficit) per Budget			**(2,300)**
Increase in taxation revenue	467		467
Decrease in equalization funding	(1,005)		(1,005)
Increase in Canada Health and Social Transfer	281		281
Increase in energy revenue	332		332
Increase in self-supported Crown corporation net earnings	500		500
Increase in other revenue	99		99
(Decrease) in debt interest expense		(341)	341
Increase in forest fires, floods, and BSE costs		410	(410)
Increase in other spending		144	(144)
Decrease in forecast allowance			500
	674	213	961
Actual Results	**26,674**	**28,013**	**(1,339)**

Changes In Actual Results from 2003 to 2004

	In Millions		
	Revenues	Expenses	Deficit
	$	$	$
2002/03[1] Surplus (Deficit)	**24,653**	**27,852**	**(3,199)**
Increase in taxation revenue (see page 14)	1,531		1,531
Increase in natural resources revenue (see page 14)	372		372
Increase in other revenue (see page 14)	235		235
Increase in self-supported Crown corporation net earnings (see page 14)	115		115
(Decrease) in federal contributions (see page 14)	(232)		(232)
Increase in health expenses (see page 16)		221	(221)
(Decrease) in social services expense (see page 16)		(280)	280
Increase in other expense		220	(220)
Subtotal of changes in actual results	2,021	161	1,860
2003/04 Surplus (Deficit)	**26,674**	**28,013**	(1,339)
2002/03[1] Accumulated Surplus (Deficit)			(8,015)
2003/04 Accumulated Surplus (Deficit)			**(9,354)**

[1] The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Financial Highlights

Fiscal 2003/04 also marks the final year of the government's three-year restructuring initiative for government ministries. Over the three-year period, actual restructuring exit expenses totalled $515 million for ministries and taxpayer-supported Crown corporations and agencies. In addition, there was $247 million for restructuring exit expenses for self-supported Crown corporations and agencies and $93 million for other restructuring costs for continuing operations.

Debt reported on the financial statements at the end of 2003/04 was $36,938 million, up $814 million from 2002/03. As noted in the table below, total provincial debt was $399 million higher than the amount reported in the province's financial statements due to differences in how debt guarantees and non-guaranteed debt are reported for accounting purposes.

Total Provincial Debt

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	$	$	$	$	$
Financial statement debt	40,527	36,938	36,124	(3,589)	814
Third party guarantees and non-guaranteed debt	439	399	415	(40)	(16)
Total Provincial Debt	**40,966**	**37,337**	**36,539**	**(3,629)**	**798**

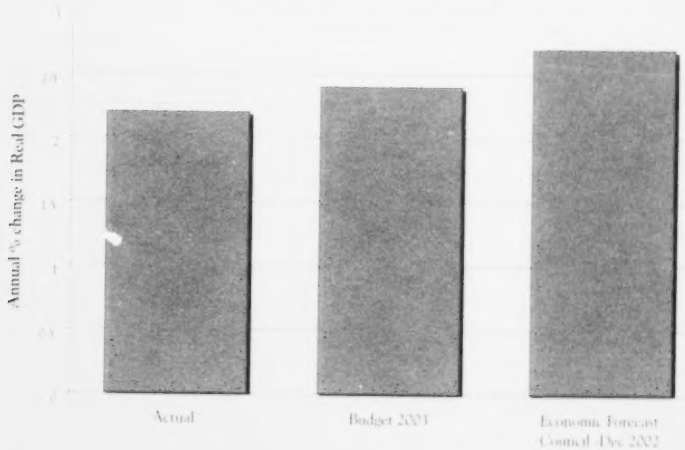
[1]The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

A more comprehensive overview of provincial debt, including key debt indicators is located on pages 103 to 116.

Economic Highlights

British Columbia's economy grew by 2.2% in calendar 2003, tying for fourth highest among provinces, according to preliminary results from Statistics Canada. The estimated 2.2% growth last year exceeded the national average of 1.7%. Economic growth in British Columbia was fueled by a strong housing market and robust job creation in 2003. Employment grew 2.5% last year with just over 50,000 jobs created, almost all of them full-time. Housing starts posted growth of 21% in calendar 2003 and non-residential construction also saw a pick-up in growth to 6.1%.

Economic Growth for Calendar



Financial Highlights

Strong and Stable Credit

British Columbia continues to maintain a strong and stable credit rating, most notably evidenced by the recent upgrade to the province's credit rating outlook by two of the three credit rating agencies. (See page 19 for details.)

Financial Performance

Revenue

For the 2003/04 fiscal year, revenue totalled $26,674 million, $674 million higher than budget and $2,021 million higher than 2002/03.

Revenue by Source

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	$	$	$	$	$
Taxation	13,341	13,808	12,277	467	1,531
Contributions from Federal Government[2]	3,992	3,346	3,578	(646)	(232)
Natural Resources	3,396	3,653	3,281	257	372
Fees and Licences	2,262	2,427	2,283	165	144
Net earnings of self-supported Crown Corporations	1,381	1,881	1,766	500	115
Miscellaneous	900	977	829	77	148
Investment Earnings	728	582	639	(146)	(57)
Total Revenue	**26,000**	**26,674**	**24,653**	**674**	**2,021**

[1] The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.
[2] 2003/04 Budget excluded $319 million in additional CHST funds from the federal government that were not known at the time of the Budget, but were included in the *Supply Act* passed on May 29, 2003.

The main reasons for the difference between budget and actuals were higher self-supported Crown corporation net earnings and higher taxation and natural resource revenues, partially offset by lower federal transfer payments.

Taxation revenues, which comprise over 50% of all revenues, were $467 million higher than budget and $1,531 million higher than 2002/03, reflecting personal income tax and property transfer tax improvements.

Financial Highlights

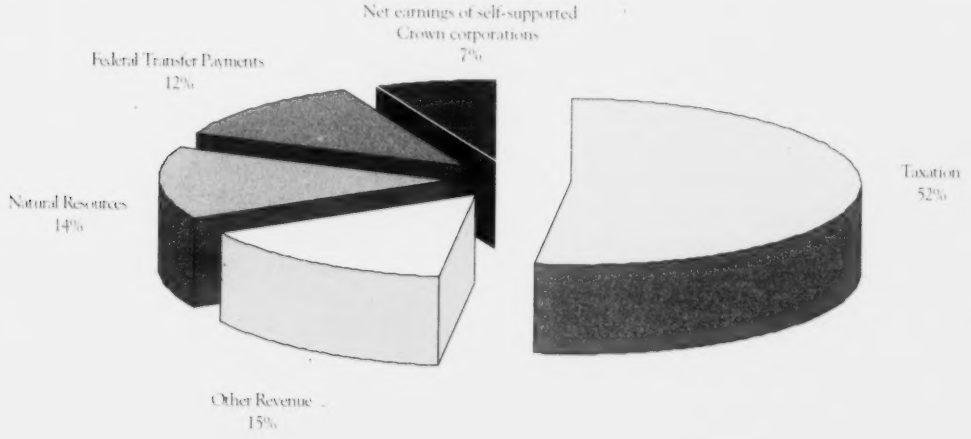
Contributions from the federal government were $646 million lower than budget and $232 million lower than 2002/03 since reduced equalization entitlements for 2003/04 and prior years were only partially offset by higher revenues for Canada Health and Social Transfer (CHST) and federal government relief for forest fire costs. Equalization revenue was $1,005 million below budget reflecting a $499 million lower entitlement in respect of 2003/04 and a negative $506 million prior year adjustment mainly for 2002/03. CHST revenue was up $281 million from budget mainly due to the Health Accord funding and federal contributions for forest fire relief totalled $121 million. Relative to 2002/03, equalization revenue was $873 million lower and CHST revenue was up $438 million. The year-over-year change in CHST revenue reflects the Health Accord funding, the higher entitlement for prior years and an increased base in 2003/04.

Natural resource revenues were $257 million higher than budget and $372 million higher than 2002/03, reflecting higher energy revenues, mainly due to the record natural gas and petroleum drilling rights sold in September 2003. These gains were partially offset during the year by lower natural gas revenues resulting from lower production and lower forest revenues due to the effects of a higher Canadian dollar and lower coastal harvest volumes.

Net earnings of self-supported Crown corporations were $500 million higher than budget and $115 million higher than 2002/03. The change from budget was primarily due to improved reservoir levels, lower than expected energy and interest costs for the British Columbia Hydro and Power Authority (BC Hydro), and higher premium revenue and reduced operating costs for the Insurance Corporation of British Columbia (ICBC). The improvement over the 2002/03 fiscal year was due to increased sales and reduced costs for the Liquor Distribution Branch, increased BC Lotteries' revenues, and higher premium revenues from ICBC. These increases were partially offset by lower income from BC Hydro due to an increase in electricity purchases to meet domestic demand and a provision for the Vancouver Island Generation Project /Georgia Strait Crossing Pipeline costs.

Primary sources of provincial revenue are outlined in the chart below.

Revenue by Category for Fiscal Year 2003/04



Financial Highlights

Expense

In 2003/04, provincial expenses totalled $28,013 million, $213 million higher than budget and $161 million higher than 2002/03.

Expense by Function

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	$	$	$	$	$
Health[2]	10,718	10,945	10,724	227	221
Education	6,936	6,899	6,898	(37)	1
Social Services	2,856	2,871	3,151	15	(280)
Interest[3]	1,792	1,451	1,493	(341)	(42)
Protection of Persons and Property	1,428	1,565	1,422	137	143
Transportation	1,354	1,267	1,150	(87)	117
Natural resources and economic development	1,127	1,496	1,533	369	(37)
Other	1,123	906	667	(217)	239
General Government	466	491	539	25	(48)
Total Operating Expense	**27,800**	**27,891**	**27,577**	**91**	**314**
Results of discontinued operations			106		(106)
Restructuring exit expense		122	169	122	(47)
Total Expense	**27,800**	**28,013**	**27,852**	**213**	**161**

[1] The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

[2] 2003/04 Budget for Health excluded $319 million in additional CHST funds from the federal government that were not known at the time of the budget, but were included in the Supply Act passed on May 29, 2003.

[3] Interest expense does not include interest relating to prepaid capital advances. These interest costs are recorded in the related health, education and transportation functions. See Note 29 on page 63 for more details.

Health spending was $227 million higher than budget and $221 million higher than 2002/03, primarily due to additional federal funding arising from the federal/provincial Health Accord.

Social services spending was $15 million higher than budget and $280 million lower than 2002/03. The decrease from the prior year was primarily due to an overall reduction in caseloads and other program costs.

Interest expense was $341 million less than budget and $42 million less than 2002/03 as a result of lower interest rates, reduced debt balances compared to budget and a stronger Canadian dollar.

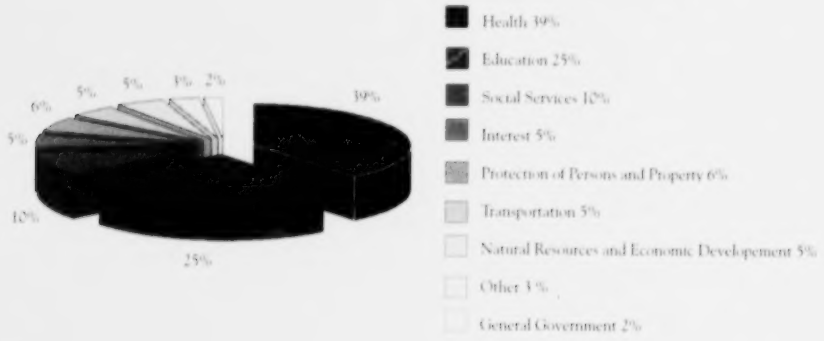
Natural resources and economic development spending was $369 million higher than budget and $37 million lower than 2002/03. The change from budget was primarily due to unanticipated forest fire suppression, BSE, and flood related costs. The decrease from the prior year mainly reflected the effect of a one-time provision of $275 million made in 2002/03 for forestry revitalization offset by the additional disaster costs in 2003/04.

Other spending was $217 million lower than budget and $239 million higher than 2002/03. The difference between actual and budget was due to lower than expected spending by taxpayer-supported Crown corporations. The 2003/04 to 2002/03 actual variance related to the accelerated spending associated with the 2010 Olympics.

Financial Highlights

In accordance with Generally Accepted Accounting Principles (GAAP) for senior governments and Public Sector Accounting Board (PSAB), provincial expenses are reported on a functional basis in the Public Accounts. Under functional reporting, expenses are grouped and classified according to their principle purpose using a modified version of the Statistics Canada account classification system. Primary expense functions are outlined in the chart below:

Expense by Function for Fiscal Year 2003/04



Ministry, Program and Agency Reporting

While functional reporting allows for greater comparability across jurisdictions, it is not considered the primary tool for managing results as the level of aggregation does not provide specific information about the operational objectives and major activities of the reporting entity. Reporting by entity provides management and the public additional information regarding the allocation of resources and related costs of the different operational activities of government. For example, Health Services shows an expense of $10,453 million while the Health Function in the above table shows an expense of $10,945 million. The difference results from the Health Function including the Health Services Ministry, taxpayer-supported Crown corporations and agencies and other ministries' programs that are related to health function spending.

Expense by Major Accountability

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	$	$	$	$	$
Health Services	10,209	10,453	10,206	244	247
Education	4,860	4,787	4,807	(73)	(20)
Advanced Education	1,899	1,897	1,897	(2)	
Management of Public Funds and Debt	926	738	711	(188)	27
Other Ministries and Programs	6,950	7,235	7,346	285	(111)
Government restructuring (All ministries)	190	168	212	(22)	(44)
Consolidated Revenue Fund Expense	**25,034**	**25,278**	**25,179**	**244**	**99**
Less: Grants/internal transfers	(1,087)	(1,128)	(1,155)	(41)	27
Add: Recoveries	1,615	1,733	1,670	118	63
Other taxpayer supported entities (net of accounting adjustments)	2,238	2,130	2,158	(108)	(28)
Total Expense	**27,800**	**28,013**	**27,852**	**213**	**161**

[1]The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Financial Highlights

Major variances in the Expense by Major Accountability are:

- Health Services was $244 million higher than budget and $247 million higher than 2002/03, due primarily to additional federal contributions for health care. A Supplementary Estimate to authorize the spending of the federal contribution was approved in May 2003. After taking into account the Supplementary Estimate, health care spending was $75 million below budget.
- Other ministries and program spending was $285 million higher than budget and $111 million lower than 2002/03. The change from budget primarily reflects the additional costs associated with forest fire suppression, BSE, and flood related costs partially offset by lower spending in other areas.
- Management of Public Funds and Debt (interest) was $188 million lower than budget due to government interest savings arising from lower interest rates, reduced debt balances and a stronger Canadian dollar.
- Other taxpayer-supported entity spending was a $108 million lower than budget and $28 million lower than 2002/03, primarily due to delays in the implementation of Ministry of Children and Family governance authorities.

Further details on ministry, program and agency spending can be found in the 2004 British Columbia Financial and Economic Review available in July 2004, at: www.fin.gov.bc.ca/pubs

Financial Assets

Financial assets as at March 31, 2004 totalled $15,810 million, $269 million lower than budget and $1,439 million higher than 2002/03. The increase compared to 2002/03 is primarily due to a $344 million increase in BC Hydro loans receivable, a $399 million increase in ICBC equity and a $428 million loan receivable from British Columbia Ferry Services Inc.

Financial Assets

	In Millions			Variance	
	2003/04[2] Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	$	$	$	$	$
Accounts receivable	2,539	2,542	2,380	3	162
Equity in self-supported Crown Corporations and Agencies	2,594	2,989	2,629	395	360
Loans for purchases of assets recoverable from agencies	8,270	7,602	7,336	(668)	266
Other financial assets	2,676	2,677	2,026	1	651
Total Financial Assets	**16,079**	**15,810**	**14,371**	**(269)**	**1,439**

[1] The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.
[2] Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

Financial Highlights

As at March 31, 2004, the province's equity investment in self-supported Crown corporations was $2,989 million. In 2003/04, these organizations provided government with $1,881 million in net income.

More than 90% of the $7,602 million in recoverable capital loans represents loans to BC Hydro toward the acquisition of power generation and distribution assets. The change from budget is primarily due to lower than anticipated borrowing requirements for BC Hydro.

Other financial assets include cash and cash equivalents, temporary investments, inventory, and loans receivable.

Liabilities

Total liabilities were $2,250 million lower than budget and $2,285 million higher than 2002/03.

Liabilities

	In Millions			Variance	
	2003/04[2] Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	$	$	$	$	$
Taxpayer-supported Debt	31,871	29,431	28,899	(2,440)	532
Self-supported Debt	8,156	7,507	7,225	(649)	282
Forecast Allowance	500			(500)	
Total Financial Statement Debt	**40,527**	**36,938**	**36,124**	**(3,589)**	**814**
Accounts Payable	3,790	3,543	3,353	(247)	190
Other Liabilities	941	2,527	1,246	1,586	1,281
Total Liabilities	**45,258**	**43,008**	**40,723**	**(2,250)**	**2,285**

[1]The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.
[2]Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

Financial Statement Debt

Total financial statement debt was $3,589 million lower than budget, but $814 million higher than 2002/03. Primary reasons for the change from budget included lower than forecast debt balances at the end of the 2002/03 fiscal year, improved government operating results and reduced capital spending requirements.

Other Liabilities

Other liabilities were $1,586 million higher than budget and $1,281 million higher than 2002/03. Of this difference, $733 million related to the increase for the repayable Equalization advance from the federal government and an increase of $390 million in deferred revenue related to the federal trusts for CHST.

Total Provincial Debt

When reporting to rating agencies, the province adds to its financial statement debt, all debt guarantees and the debt directly incurred by the self- supported Crown corporations. This balance is referred to as the total provincial debt.

Total provincial debt at March 31, 2003/04, was $37,337 million, which is $3,629 million less than budget and $798 million higher than 2002/03.

In April 2004, two of the three rating agencies upgraded the province's credit rating outlook to positive from stable. The Moody's Investors Service Inc., presents the outlook for the province at Aa2 (Positive) and Standard and Poor's outlook for the province is at AA-(Positive). The outlook from Dominion Bond Rating Service (DBRS) remains unchanged at AA (low).

Financial Highlights

Credit Ratings June 2004

Province	Rating Agency[1] Moody's Investors Services Inc.	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aa2	AA-	AA(low)
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa3	AA-	A
Manitoba	Aa2	AA-	A (high)
Ontario	Aa2	AA	AA
Quebec	A1	A+	A
New Brunswick	Aa3	AA-	A
Nova Scotia	A3	A-	BBB(high)
Prince Edward Island	A2	Not rated	A(low)
Newfoundland	A3	A-	BBB
Canada	Aaa	AAA	AAA

[1]The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3" "high", "low", and "-" modifiers show relative standing within the major categories. For example, AA+ exceeds AA.

A more comprehensive overview of provincial debt, including key debt indicators is located on pages 103-116 of this publication.

Non-Financial Assets

At March 31, 2004, non-financial assets totalled $17,844 million, representing a $507 million decrease from budget and a $493 million decrease from the previous year. The decreases were a result of lower than anticipated capital requirements in ministries and the health and education sectors.

Non-Financial Assets

	In Millions			Variance	
	2003/04[2] Budget	2003/04 Actual	2002/03[1] Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	$	$	$	$	$
Tangible Capital Assets	10,735	10,482	10,381	(253)	101
Prepaid Capital Advances	7,313	7,136	7,108	(177)	28
Prepaid Program Costs	98	82	107	(16)	(25)
Non–financial assets held for resale			593		(593)
Other Assets	205	144	148	(61)	(4)
Total Non–Financial Assets	**18,351**	**17,844**	**18,337**	**(507)**	**(493)**

[1]The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.
[2]Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

Non-financial assets typically represent resources that government can use in the future to provide services. The majority of the province's non-financial assets reflect capital asset related expenditures and take the form of either tangible capital assets or prepaid capital advances. Prepaid capital advances represent the government's claim on provincially funded assets acquired by external entities in the health, education and transportation sectors.

Financial Highlights

Net Liabilities and Accumulated Deficit

In accordance with GAAP, the government's statement of financial position is presented on a net debt or net liabilities basis. Net liabilities represents the difference between a government's financial assets and its liabilities and is often used as a measure of the future revenues required to pay for past transactions and events. The accumulated deficit represents the sum of prior years' operating results.

Net Liabilities and Accumulated Deficit

In Millions

	2003/04[2] Budget	2003/04 Actual	2002/03[1] Actual	Variance 2003/04 Actual to Budget	Variance 2003/04 vs 02/03
	$	$	$	$	$
Financial Assets	16,079	15,810	14,371	(269)	1,439
Less: Liabilities	(45,258)	(43,008)	(40,723)	2,250	(2,285)
Net Liabilities	**(29,179)**	**(27,198)**	**(26,352)**	**1,981**	**(846)**
Less: Non–financial Assets	18,351	17,844	18,337	(507)	(493)
Accumulated deficit	**(10,828)**	**(9,354)**	**(8,015)**	**1,474**	**(1,339)**

[1]The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.
[2]Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

Summary Accounts' Staff Utilization for the Fiscal Year Ended March 31, 2004[1]

The table below provides a summary of full-time equivalent (FTE)employment.

	2003/04 Budget	2003/04 Actual	2002/03[2] Actual	Variance 2003/04 Actual to Budget	Variance 2003/04 vs 02/03
Consolidated Revenue Fund[3]	29,049	28,684	29,751	(365)	(1,067)
Taxpayer–supported Crown corporations and agencies[4, 5]	5,270	4,570	7,747	(700)	(3,177)
Regional authorities[6]	150			(150)	
Total Staff Utilization	**34,469**	**33,254**	**37,498**	**(1,215)**	**(4,244)**

[1]Staff utilization is the full time equivalent of the number of persons employed in the fiscal year whose salaries are paid by taxpayer–supported entities within the Summary Accounts.
[2]The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.
[3]See the Consolidated Revenue Fund Schedules at www.fin.gov.bc.ca. for details.
[4]See financial statements of Crown corporations and agencies at www.fin.gov.bc.ca for details of amounts included in this total.
[5]The 2003/04 Budget includes an estimate for Canadian Blood Services. This organization is not included in the Public Accounts figures.
[6]In 2003/04, the government reporting entity was expanded to include the Ministry of Children and Family Development governance authorities.

Financial Highlights

The FTE reductions for the CRF against 2003/04 budget and 2002/03 actuals reflect the government's three-year restructuring and workforce adjustment initiative, offset by 150 FTEs not transferred to regional authorities in 2003/04.

The difference between budgeted utilization for taxpayer-supported Crown corporations and actual utilization was 700 employees. This difference included an estimate of 545 employees for Canadian Blood Services while no actual utilization was available for this entity at year end and there were also 82 fewer employees than budgeted for in the Legal Services Society. No employees were transferred to regional authorities in 2003/04 although 150 employees were budgeted to be transferred.

The major change between 2003/04 and 2002/03 (4,244 employees) was the transfer of the British Columbia Ferry Corporation in the 2003/04 fiscal year, to an organization outside of the government reporting entity. This accounted for 3,345 employees.

Move to Generally Accepted Accounting Principles

Although the province is not required to include the schools, universities, colleges and health authorities (SUCH sector) in its financial statements until fiscal 2004/05, the 2003/04 Public Accounts does provide an impact statement as if these entities were included. This information has been included in the Public Accounts since fiscal year end 1997/98.

The following table outlines the financial impact to government had the SUCH sector organizations been included under Generally Accepted Accounting Principles for the 2003/04 fiscal year.

Impact of SUCH Sector

	In Millions		
	Before Inclusion of SUCH	After Inclusion of SUCH	Impact of SUCH
	$	$	$
Revenue[1]	26,674	28,974	2,300
Expenses[1]	28,013	29,976	1,963
Annual Deficit	**(1,339)**	**(1,002)**	**337**
Financial Assets	15,810	19,540	3,730
Less: Liabilities	(43,008)	(46,900)	(3,892)
Net Liabilities	(27,198)	(27,360)	(162)
Less: Non-financial Assets	17,844	22,617	4,773
Accumulated Deficit	**(9,354)**	**(4,743)**	**4,611**

[1] Changes to accounting adjustments resulting from the impact of the SUCH sector.

Further details on the impact of the SUCH sector are available on pages 83 to 90 of this publication.

Summary Financial Statements

Province of British Columbia

For the Fiscal Year Ended
March 31, 2004

BRITISH
COLUMBIA

Report of the Auditor General of British Columbia

ON THE SUMMARY FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE PROVINCE OF BRITISH COLUMBIA

To the Legislative Assembly
of the Province of British Columbia

I have audited the summary financial statements of the Government of the Province of British Columbia consisting of the statement of financial position as at March 31, 2004, and the statements of operations, change in net liabilities, and changes in cash and temporary investments for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

Reservation

As explained in note 1(c) to these financial statements, the Government's stated accounting policies contain exceptions to generally accepted accounting principles (GAAP) for senior governments, as recommended by The Canadian Institute of Chartered Accountants, related to schools, universities, colleges and institutes, and health care organizations. Had GAAP been followed as at March 31, 2004, it would be expected that financial assets increase by $3.7 billion ($3.4 billion at March 31, 2003), liabilities increase by $3.9 billion ($3.7 billion at March 31, 2003), non-financial assets increase by $4.8 billion ($3.6 billion at March 31, 2003), and the accumulated deficit decrease by $4.6 billion ($3.3 billion at March 31, 2003). Similarly, for the year ended March 31, 2004, revenues increase by $2.3 billion ($2.4 billion for 2003), expenses increase by $2.0 billion ($2.2 billion for 2003), and the annual deficit decrease by $0.3 billion ($0.2 billion for 2003).

. . . 2

Opinion

In my opinion, except for the effects of my reservation explained in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Government of the Province of British Columbia as at March 31, 2004, the results of its operations and the changes in net liabilities and its cash and temporary investments for the year then ended, in accordance with generally accepted accounting principles for senior governments as recommended by The Canadian Institute of Chartered Accountants.

Wayne Strelioff

Victoria, British Columbia
May 14, 2004

Wayne Strelioff, FCA
Auditor General

Statement of Responsibility for the Summary Financial Statements of the Government of the Province of British Columbia

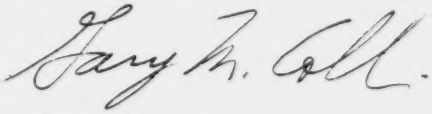
Responsibility for the integrity and objectivity of the Summary Financial Statements for the Government of the Province of British Columbia rests with the Provincial Government. The Comptroller General prepares these financial statements in accordance with the accounting policies as determined by Treasury Board. The fiscal year for the provincial government is from April 1 to March 31 of the following year.

To fulfill its accounting and reporting responsibilities, the government maintains financial management and internal control systems. These systems give due consideration to costs, benefits and risks and are designed to provide reasonable assurance that transactions are properly authorized by the Legislative Assembly, are executed in accordance with prescribed regulations and are properly recorded. This is done to maintain accountability of public money and safeguard the assets and properties of the Province of British Columbia under government administration. The Comptroller General of British Columbia maintains the accounts of British Columbia, a centralized record of the government's financial transactions, and obtains additional information as required from ministries, Crown corporations and agencies to meet accounting and reporting requirements.

The Auditor General of British Columbia provides an independent opinion on the financial statements prepared by the government. The duties of the Auditor General in this respect are contained in section 11 of the *Auditor General Act*.

Annually, the financial statements are tabled in the Legislature as part of the Public Accounts, and are referred to the Select Standing Committee on Public Accounts of the Legislative Assembly. The Select Standing Committee on Public Accounts reports to the Legislative Assembly with the results of its examination and any recommendations it may have with respect to the financial statements and accompanying audit opinions.

Approved on behalf of the Government of the Province of British Columbia:



GARY COLLINS
Chair, Treasury Board

Summary Financial Statements
Statement of Financial Position
as at March 31, 2004

	Note	In Millions 2004	2003
Financial Assets		$	$
Cash and temporary investments	3	430	312
Accounts receivable	4	2,542	2,380
Inventories for resale	5	238	216
Due from other governments	6	344	135
Due from self–supported Crown corporations and agencies	7	164	402
Equity in self–supported Crown corporations and agencies	8	2,989	2,629
Loans, advances and mortgages receivable	9	1,048	596
Other investments	10	453	328
Financial assets held for sale	11		37
Loans for purchase of assets, recoverable from agencies	12	7,602	7,336
		15,810	14,371
Liabilities			
Accounts payable and accrued liabilities	13	3,543	3,353
Due to other governments	14	1,109	322
Due to Crown corporations, agencies and funds	15	123	101
Deferred revenue	16	1,292	706
Liabilities related to assets held for sale	11		113
Employee pension plans (unfunded pension liabilities)	17	3	4
Taxpayer–supported debt	18	29,431	28,899
Self–supported debt	19	7,507	7,225
		43,008	40,723
Net liabilities	21	(27,198)	(26,352)
Non–financial Assets			
Tangible capital assets	22	10,482	10,381
Prepaid capital advances	23	7,136	7,108
Prepaid program costs	24	82	107
Non–financial assets held for sale	11		593
Other assets	25	144	148
		17,844	18,337
Accumulated surplus (deficit)	26	**(9,354)**	**(8,015)**
Contingencies and commitments	27		
Significant events	34		

The accompanying notes and supplementary statements are an integral part of these financial statements.

Prepared in accordance with the accounting policies as determined by Treasury Board.

ARN VAN IERSEL
Comptroller General

Summary Financial Statements
Statement of Operations
for the Fiscal Year Ended March 31, 2004

	In Millions		
	2004		2003
	Estimates (Note 31) $	Actual $	Actual $
Revenue			
Taxation (Note 28)	13,341	13,808	12,277
Contributions from the federal government	3,992	3,346	3,578
Natural resources	3,396	3,653	3,281
Fees and licences	2,262	2,427	2,283
Net earnings of self-supported Crown corporations and agencies (Note 8)	1,381	1,881	1,766
Miscellaneous	900	977	829
Investment earnings	728	582	639
	26,000	26,674	24,653
Expense			
Health (Note 29)	10,718	10,945	10,724
Education (Note 29)	6,936	6,899	6,898
Social services	2,856	2,871	3,151
Interest (Note 29)	1,792	1,451	1,493
Protection of persons and property	1,428	1,565	1,422
Transportation (Note 29)	1,354	1,267	1,150
Natural resources and economic development	1,127	1,496	1,533
Other	1,123	906	667
General government	466	491	539
	27,800	27,891	27,577
Surplus (deficit) for the year before unusual items	(1,800)	(1,217)	(2,924)
Forecast allowance	(500)		
Results of discontinued operations (Note 11)			(106)
Restructuring exit expense (Note 35)		(122)	(169)
Surplus (deficit) for the year	**(2,300)**	(1,339)	(3,199)
Accumulated surplus (deficit)—beginning of year as restated (Note 26)		(8,015)	(4,816)
Accumulated surplus (deficit)—end of year		**(9,354)**	**(8,015)**

The accompanying notes and supplementary statements are an integral part of these financial statements.

Summary Financial Statements
Statement of Change in Net Liabilities
for the Fiscal Year Ended March 31, 2004

	In Millions	
	2004	2003
	$	$
Surplus (deficit) for the year	(1,339)	(3,199)
Effect of change in tangible capital assets:		
Acquisition of tangible capital assets	(702)	(601)
Amortization of tangible capital assets	526	564
Impact of tangible capital assets held for sale	593	
Disposals and valuation adjustments	75	268
	492	231
Effect of change in:		
Prepaid capital advances	(28)	(75)
Prepaid program costs	25	19
Other assets	4	9
	1	(47)
(Increase) decrease in net liabilities	(846)	(3,015)
Net liabilities—beginning of year	(26,352)	(23,337)
Net liabilities—end of year	**(27,198)**	**(26,352)**

The accompanying notes and supplementary statements are an integral part of these financial statements.

Summary Financial Statements
Statement of Changes in Cash and Temporary Investments for the Fiscal Year Ended March 31, 2004

	In Millions			
	2004			2003
Operating Transactions	Receipts $	Disbursements $	Net $	Net $
Surplus (deficit) for the year			(1,339)	(3,199)
Non–cash items included in surplus (deficit)				
Amortization of tangible capital assets			526	564
Amortization of prepaid capital advances			468	415
Amortization of public debt deferred revenues and deferred charges			(15)	55
Concessionary loan adjustments (decreases)			(2)	(1)
Impact of Tangible Capital Assets held for sale			(51)	51
Valuation adjustments			228	273
Net earnings of self–supported Crown corporations and agencies			(1,881)	(1,766)
Accounts receivable (increases)			(327)	(55)
Due from other governments (increases)			(209)	278
Due from self–supported Crown corporations and agencies (increases) decreases			238	(18)
Accounts payable increases (decreases)			190	(30)
Due to other governments increases			787	223
Due to Crown corporations, agencies and funds increases			22	38
Unfunded pension liability payments			(1)	(2)
Items applicable to future operations increases			615	116
Contributions of self–supported Crown corporations and agencies			1,541	1,657
Cash derived from (used for) operations			790	(1,401)
Capital Transactions				
Tangible capital assets (acquisitions)	629	702	(73)	(392)
Prepaid capital advances (increases)		496	(496)	(490)
Cash (used for) capital	629	1,198	(569)	(882)
Investment Transactions				
Investment in self–supported Crown corporations and agencies		20	(20)	
Loans, advances and mortgages receivable (issues)	120	603	(483)	(35)
Other investments—net decreases (increases)		133	(133)	(44)
Cash (used for) investments	120	756	(636)	(79)
Total financing (requirements)			(415)	(2,362)

Summary Financial Statements
Statement of Changes in Cash and Temporary Investments for the Fiscal Year Ended March 31, 2004—Continued

	In Millions			
	2004			2003
Financing Transactions[1]	Receipts $	Disburse-ments $	Net $	Net $
Public debt increases	15,905	15,094	811	770
Derived from Warehouse Program investments				1,067
Derived from (used for) purchase of assets, recoverable from agencies	(4,900)	(4,622)	(278)	57
Cash derived from (used for) financing	11,005	10,472	533	1,894
Increase (decrease) in cash and temporary investments			118	(468)
Balance—beginning of year			312	780
Balance—end of year			**430**	**312**

[1]Financing transaction receipts are from debt issues and disbursements are for debt repayments.

The accompanying notes and supplementary statements are an integral part of these financial statements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004

1. Significant Accounting Policies

(a) Reporting Entity

These financial statements include the accounts of organizations accountable for the administration of their financial affairs and resources to a minister of the government or, directly to the Legislature, and are owned or controlled by the government. For purposes of the reporting entity, accountability to a minister or directly to the Legislature, does not include those entities that are part of a province–wide program and are locally based having initial accountability to a local board.

The reporting entity also includes government partnerships.

A list of organizations included in these consolidated financial statements can be found on pages 67 and 68.

Trusts administered by the government or a Crown corporation or agency are excluded from the reporting entity.

(b) Principles of Consolidation

Taxpayer–supported Crown corporations' and agencies' financial statements are consolidated with the Consolidated Revenue Fund using the full consolidation method. The government's interests in government partnerships are recorded on a proportional consolidation basis.

Self–supported Crown corporations and agencies and government business partnerships are consolidated with the Consolidated Revenue Fund on the modified equity basis of consolidation.

The definitions of these consolidation methods can be found on page 117.

No adjustments are made for Crown corporations and agencies whose fiscal year–ends are different from the government's fiscal year–end of March 31, unless the effect of an adjustment would be significant to the consolidated operating result.

(c) Basis of Accounting

The government's Summary Financial Statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) for senior governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, with the following exceptions:

(i) Reporting entity—PSAB recommends the reporting entity comprise all organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature, and are owned or controlled by the government. The government currently does not include school districts, universities, colleges and institutes, or health care authorities (SUCH sector) in its reporting entity. These organizations will be included in 2004/05. The inclusion of universities will be reviewed annually.

(ii) Prepaid capital advances—PSAB recommends government transfers be expensed in a government's financial statements in the period that the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria are met, and a reasonable estimate of the amount can be made. Transfers to school districts, universities, colleges and institutes, and health care authorities for the acquisition of significant tangible capital assets are not expensed in the year they are issued; rather, they are treated as a prepaid expense and amortized over the life of the tangible capital assets acquired with the advances.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

The following table provides the impact to the province's financial statements if the accounting policies were changed to conform to current PSAB.

	In Millions (Unaudited)					
	Assets	Liabilities	Net Equity	Revenue	Expense	Surplus
	$	$	$	$	$	$
Inclusion of SUCH sector and expensing prepaid capital advances—increase	**8,503**	**3,892**	**4,611**	**2,300**	**1,963**	**337**

The *Budget Transparency and Accountability Act* requires that any exceptions to GAAP be eliminated for fiscal 2004/05.

(d) Specific Accounting Policies

Revenue

All revenue is recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The exception is corporation income tax which is recorded on a cash basis.

Government transfers are recognized as revenues in the period during which the transfer is authorized and any eligibility criteria are met.

Tax credits/offsets are accrued on the same basis as the associated tax revenues and reduce gross taxation revenue but are not considered valuation allowances.

Expenses

The cost of all goods and services received during the year is expensed.

Interest expense is recorded net of sinking fund earnings and includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issue costs.

Pension expense is calculated as the cost of pension benefits earned by employees during the year, interest on the pension benefits liability, net of pension plan assets, and amortization of the government's share of any experience gains or losses, less contributions made by members. The estimated total cost of the government's share of the plan amendments related to past service is expensed in the year the plan is amended.

Government transfers include grants, entitlements and transfers under agreements, as described in the definitions on page 117. Government transfers are recognized as expenses in the period in which the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made. This excludes transfers that meet the criteria for a prepaid capital advance.

Acquisitions of tangible capital assets and prepaid capital advances are recorded as assets and the cost is amortized over the useful life of the relevant tangible capital asset. Tangible capital assets not related to a capitalized class of assets are expensed in the year of acquisition.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

Restructuring exit expenses are recorded when a restructuring plan in appropriate form has been approved by the province. To qualify, the expense must not be associated with or benefit activities that will be continued by the government reporting entity. In addition, the expense must:

(i) be incremental to other expenses incurred in normal operations and incurred as a direct result of the restructuring plan; or,

(ii) represent amounts to be incurred under an existing contractual obligation that will continue after the restructuring plan is completed with no economic benefit to the government; or,

(iii) represent a penalty or compensation incurred to cancel an existing contractual obligation.

Assets

Assets are recorded to the extent that they represent cash and claims upon outside parties, items held for resale to outside parties, prepaid expenses, deferred charges, prepaid capital advances or tangible capital assets acquired as a result of events and transactions prior to the year-end.

Financial Assets

Temporary investments and Warehouse Program investments include short-term investments recorded at the lower of cost or market value.

Inventories for resale include property which has been purchased, or for which development costs have been incurred, that is held for ultimate resale or lease to outside parties. Inventories for resale are recorded at the lower of cost or net realizable value.

Equity in self-supported Crown corporations and agencies represents the province's investment (including long-term advances) in those self-supported Crown corporations and agencies at cost, adjusted for increases and decreases in the investees' net assets.

Loans and advances are recorded at cost less adjustment for any prolonged impairment in value. Mortgages receivable are recorded at the principal amount less valuation allowance, are secured by real estate and are repayable over periods ranging up to thirty years. Concessionary loans and mortgages are recorded at net present value at issue and related present value discounts are expensed. Valuation allowances are made when collectability is considered doubtful.

Other investments are recorded at the lower of cost of acquisition (which may be adjusted by attributed income) or estimated current value. Valuation adjustments are made when the value of investments is impaired.

Loans for purchase of assets, recoverable from agencies are recorded at maturity value less unamortized premium or discount, deferred foreign exchange gains or losses and sinking fund balances. Premium/discount is amortized on a constant yield basis.

Non-Financial Assets

Tangible capital assets are recorded at historical cost, less accumulated amortization. Estimated cost is used to record existing tangible capital assets when actual cost is unknown. The recorded cost, less the residual value, is generally amortized over the estimated useful lives of the assets on a straight-line basis except for some transportation equipment which is amortized using the sinking fund method.

All significant tangible capital assets of government organizations and operations have been capitalized. Crown land is capitalized at a nominal value of $1.

The value of collections (artifacts, specimens and documents) has been excluded from the balance sheet.

Prepaid capital advances are provided to school districts, post-secondary educational institutions, health care organizations and other specified government organizations to fund capital asset acquisitions. The province has an ongoing claim on the assets of these organizations. Prepaid capital advances are amortized over the useful life of the assets funded.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

Liabilities

All liabilities are recorded to the extent they represent claims payable to outside parties as a result of events and transactions prior to the year–end, including probable losses on loan guarantees issued by the province, contingent liabilities when it is likely a liability exists and the amount of the liability can be reasonably determined on an individual or portfolio basis, and unfunded pension liabilities.

Employee Pension Plans (Unfunded Pension Liabilities)

The province accounts for employee pension plans by recognizing a liability and an expense in the reporting period in which the employee has provided service. The amount is calculated using the accrued benefit actuarial cost method. Where plans are in a net asset position, and Joint Trusteeship Agreements restrict access to the assets, the province records the value of plan net assets as nil. Changes in net liabilities/assets which arise as a result of actuarial gains and losses, are amortized on a straight–line basis by the plan, over the average remaining service period of employees active at the date of the adjustments. Past service costs from plan amendments are recognized in full in the year of the amendment.

Unfunded pension liabilities of the Members of the Legislative Assembly Superannuation Account represent the terminal funding that would be required from the province for the difference between the present value of the obligations for future benefit entitlements and the amount of funds available in the account.

Public Debt

Public debt represents the direct debt obligations of the Province of British Columbia including borrowings incurred for government operating purposes, the acquisition of capital assets, for re–lending to authorized government bodies and for borrowings in advance of future requirements under the Warehouse Program. Public debt consists of short–term promissory notes, notes, bonds and debentures, bank loans, capital leases and mortgages payable. These obligations are recorded at principal less unamortized premium or discount, deferred foreign exchange gains or losses, and sinking fund balances where applicable. Public debt is reported in two categories: (1) taxpayer–supported, and (2) self–supported.

(1) Taxpayer–supported debt includes direct debt used for government operating and capital purposes, and the debt of Crown corporations and agencies that requires an operating or debt servicing subsidy from the provincial government or that are fully consolidated within these financial statements.

(2) Self–supported debt includes the portion of debt of commercial Crown corporations and agencies that has been borrowed through the government's fiscal agency loan program. It does not include all debt of commercial Crown corporations and agencies as these entities are consolidated on the modified equity basis. Commercial Crown corporations and agencies fully fund their operations and debt from revenue generated through the sale of goods and/or services at commercial rates to buyers that are outside the government reporting entity. Self–supported debt includes debt of the Warehouse Program.

Debt premium/discount is amortized on a constant yield basis. Unamortized premium/discount on bonds called and refinanced is amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter.

When it has been determined that there are sufficient securities to satisfy scheduled interest and principal payments for a debt instrument, the sinking fund assets are set aside in a defeased trust account. The debt and the related securities used to extinguish the debt are removed from the province's Statement of Financial Position. The debt is considered extinguished for financial reporting purposes.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

1. Significant Accounting Policies—Continued

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction unless hedged by forward contracts that specify the rate of exchange. Adjustments to revenue or expense transactions arising as a result of foreign currency translation are credited or charged to operations at the time the adjustments arise. Unrealized foreign currency gains and losses, on long-term fixed-term monetary assets and liabilities, are reported as a component of Public Debt and Loans for purchase of assets, recoverable from agencies and amortized over the remaining terms of the related items on a straight-line basis. Non-monetary assets and liabilities are translated at historical rates of exchange.

Derivative Financial Instruments

The province is a party to financial instruments with off-balance sheet risk due to fluctuations in foreign currency exchange rates, interest rate fluctuations and counterparty default on financial obligations. The province does not use derivative financial instruments for speculative purposes. Off-balance sheet position data is given in the form of nominal principal amounts outstanding. Amounts earned and expenses incurred under swaps are recognized and offset against the related interest expense. Gains and losses on terminated derivative contracts are deferred and amortized over the lesser of the remaining term of the contract or the related debt.

2. Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount.

Measurement uncertainty in these financial statements exists in the accruals for pension obligations, Canada Health and Social Transfer (CHST), the Federal Equalization Program and personal income tax.

The nature of the uncertainty in the accruals for pension obligations arises because actual results may differ significantly from the province's best estimates of expected results based on variables such as earnings on pension investments and life expectancy of claimants. Uncertainty related to the accrual for CHST, the Federal Equalization Program and personal income tax arises because of the possible differences between the estimates for the economic factors used in calculating the accruals and actual economic results.

British Columbia Hydro and Power Authority (BC Hydro), a wholly owned self-supported Crown corporation, is directly exposed to counterparty credit risk as a result of the purchase and sale of electricity and natural gas. During fiscal year 2001, the rapid rise of wholesale power prices and in-state supply shortages have caused significant financial hardship for a number of utilities in California, resulting in defaults on payments. As a result, BC Hydro has not recognized some amounts as revenue owed them from sales to these utilities and has recorded provisions for uncollectible amounts and legal costs that are, in management's best estimate, sufficient to cover any remaining exposure. Due to the instability in the California market and ongoing regulatory and legal proceedings, management cannot predict the outcome and the amount ultimately collected may differ materially from management's current estimate.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

3. Cash and Temporary Investments

	In Millions	
	2004	2003
	$	$
Cash (cheques issued in excess of funds on deposit)	(28)	(248)
Temporary investments[1]	458	560
	430	**312**

[1]Temporary investments consist mainly of units in the Province of British Columbia Investment Management Corporation Pooled Investment Portfolios. Units are carried at the lower of market value or cost of acquisition adjusted by income attributed to the units.

4. Accounts Receivable

	In Millions	
	2004	2003
	$	$
Taxes receivable	1,742	1,666
Trade accounts receivable	1,176	1,015
Accrued interest	343	315
	3,261	2,996
Provision for doubtful accounts	(719)	(616)
	2,542	**2,380**

5. Inventories for Resale

	In Millions	
	2004	2003
	$	$
Properties	49	82
Small Business Forest Enterprise Program	176	131
Other	13	3
	238	**216**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

6. Due from Other Governments

	In Millions	
	2004	2003
	$	$
Government of Canada		
Current	186	95
Long-term	132	
Provincial governments		
Current	18	14
Local governments[1]		
Current	8	24
Long-term		2
	344	135

[1] Local governments are municipal units established by the provincial government which include regional and metropolitan municipalities, cities, towns, townships, districts, rural municipalities and villages.

7. Due from Self-supported Crown Corporations and Agencies

	In Millions	
	2004	2003
	$	$
British Columbia Hydro and Power Authority	91	338
British Columbia Lottery Corporation	71	62
Columbia Power Corporation	2	2
	164	402

See page 73 for details.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

8. Equity in Self–supported Crown Corporations and Agencies

In Millions

	2004			2003
	Investments $	Unremitted Earnings $	Total $	Total $
British Columbia Hydro and Power Authority	20	1,614	1,634	1,630
British Columbia Railway Company	258	164	422	371
Columbia Power Corporation	276	23	299	293
Insurance Corporation of British Columbia		618	618	319
Provincial Capital Commission		16	16	16
	554	**2,435**	**2,989**	**2,629**

Change in Equity in Self–supported Crown Corporations and Agencies

Balance—beginning of year	534	2,095	2,629	2,520
Increase in investment	20		20	
Net earnings of self–supported Crown corporations and agencies		1,881	1,881	1,766
Contributions paid to the Consolidated Revenue Fund		(1,353)	(1,353)	(1,483)
Adjustments to contributions paid		(188)	(188)	(174)
Balance—end of year	**554**	**2,435**	**2,989**	**2,629**

See pages 73 and 74 for details.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

9. Loans, Advances and Mortgages Receivable

	In Millions	
	2004	2003
	$	$
Loans and Advances		
British Columbia Student loans	412	302
Industrial Development Fund commercial loans	97	135
Land Tax Deferment loans	150	144
British Columbia Ferry Services Inc.	428	
Construction loans to social housing projects	21	24
Accountable advances	17	29
Miscellaneous	57	67
	1,182	701
Provision for doubtful accounts	(170)	(145)
	1,012	556
Mortgages Receivable		
Reconstruction Program	49	58
Miscellaneous	8	
	57	58
Provision for doubtful accounts	(21)	(18)
	36	40
	1,048	**596**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

9. Loans, Advances and Mortgages Receivable—Continued

The BC Student Loan Program provides loans to students for higher education. Students are required to repay these loans through a contracted service provider, to the province over a maximum of 174 months with a floating interest rate of prime plus 2.5% or a fixed rate of prime plus 5%. Defaulted loans are due on demand with interest at a floating rate of prime plus 2.5%. The Program also administers defaulted student loans issued by financial institutions under a guaranteed and risk sharing agreement with the province. Defaulted risk sharing loans arise due to bankruptcy or death of the student while attending school.

The Industrial Development Fund provided loans to assist the establishment of new industry, the introduction of new technology to existing industry, or the development of a region of British Columbia. These loans incur interest at rates ranging from 0% to 10%. The Industrial Development Fund was eliminated pursuant to the repeal of the *Industrial Development Incentive Act under the Budget Measures Implementation Act, 2002*. No loans were issued after March 31, 2002.

The Land Tax Deferment Program allows eligible owners to defer payment of all, or a portion of, annual property taxes due on residences. Eligible individuals are either 60 years or older, a surviving spouse or a person with a disability. Simple interest is charged on the deferred taxes at a rate set by the Minister of Provincial Revenue. This rate will not exceed 2.0% below the prime lending rate of the principal banker to the government. The deferred taxes, administration fees, plus any outstanding interest, must be repaid before the residence can be legally transferred to a new owner, other than directly to a surviving spouse.

As part of a secured debenture amendment and preferred share surrender agreement, dated May 23, 2003, the province exchanged its interest in British Columbia Ferry Corporation for an interest-bearing debt in British Columbia Ferry Service Inc. The loan is interest bearing at 5.33% with a maturity date of April 1, 2006.

Construction loans are provided by British Columbia Housing Management Commission (BCHMC), a taxpayer-supported Crown corporation, and an approved lender under the *National Housing Act*. BCHMC provides construction loans for societies that are building approved projects under social housing programs. Interest is payable at the province's weighted average borrowing rate for short-term funds, plus administration costs. Loans are repaid at substantial completion of each project from financing arranged with private lenders.

Accountable advances represent funds issued for program costs that have not been expended in accordance with the applicable agreements.

The Reconstruction Program provides financial assistance to homeowners to pay for repairs to homes with premature building envelope failure. The financial assistance is provided in the form of subsidized interest loans, no interest loans or deferred payment loans and secured by registered mortgages. This Program is administered by the Homeowner Protection Office.

Miscellaneous mortgages receivable have terms ranging from less than one year to twenty years with some loans being payable on demand. Interest rates range from 3.5% to 10%.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

10. Other Investments

	In Millions	
	2004	2003
	$	$
Government of Canada bonds	36	18
Provincial government bonds	63	63
Commercial loans and investments	111	111
British Columbia Ferry Services Inc	75	
Pooled Investment Portfolios	14	45
Columbia Basin Trust investments	201	152
Miscellaneous	68	54
	568	443
Provision for doubtful accounts	(115)	(115)
	453	**328**

Government of Canada bonds have a market value of $37.4 million (par value $35.5 million), with yields ranging from 2.305% to 4.336%. Maturity dates range from June 18, 2004 to June 1, 2012.

Provincial bonds of various provinces have a market value of $68.9 million (par value $60.9 million), with yields ranging from 2.075% to 4.566%. Maturity dates range from March 8, 2005 to July 22, 2013.

Commercial loans and investments are recorded at the lower of cost of acquisition adjusted by attributed income and market value. A provision in the full amount of these loans has been recorded.

As part of a secured debenture amendment and preferred share surrender agreement dated May 23, 2003, the province exchanged its interest in British Columbia Ferry Corporation for 75,477 preferred shares in British Columbia Ferry Services Inc. These non–voting shares are valued at $1,000 per share and entitle the province to a fixed cumulative dividend at a rate of 8% of the issue price.

Pooled investment portfolios consist of units in the British Columbia Investment Management Corporation's BC Focus Fund and Illiquid Fund. These funds' investments consist primarily of debt and equity holdings of privately held companies.

Columbia Basin Trust investments include $9 million in bankers acceptances and deposits. The balance of $192 million represents investments in power development joint ventures.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

11. Assets Held for Sale

The Financial Statements and related notes for the fiscal year ended March 31, 2003, have been restated to report the disposal of long lived assets and discontinued operations of only significant government operations. For the 2003/04 fiscal year, the impact of the government's decision to sell the shares and transfer control of British Columbia Ferry Services Inc. (BCFSI), (formerly British Columbia Ferry Corporation) to the British Columbia Ferry Authority is shown.

British Columbia Ferry Services Inc. provides ferry transportation services in British Columbia. The British Columbia Ferry Authority is an independent no-share capital corporation; its purpose is to govern BCFSI and to appoint its Board of Directors. As of April 2, 2003, BCFSI is no longer owned or controlled by the province and its assets and operations are no longer included in the government reporting entity. On that date, the province exchanged its ownership in BCFSI for non-voting preference shares in BCFSI with a stated value of $75 million and a promissory note from BCFSI with a par value of $428 million.

The discontinued operations and assets held for sale of the British Columbia Railway Company, a modified equity enterprise, are included in Equity in self-supported Crown corporations and agencies and described in Note 34, Significant Events.

12. Loans for Purchase of Assets, Recoverable from Agencies

	In Millions	
	2004	2003
	$	$
British Columbia Hydro and Power Authority	7,040	6,696
British Columbia Railway Company	467	481
Columbia Power Corporation		47
Improvement districts	5	6
Post-secondary educational institutions	90	106
	7,602	7,336
Provision for doubtful accounts		
	7,602	**7,336**

13. Accounts Payable and Accrued Liabilities

	In Millions	
	2004	2003
	$	$
Trade accounts payable and other liabilities	1,700	1,624
Accrued interest on debt	805	789
Accrued employee leave entitlements	280	245
Other accrued estimated liabilities[1]	758	695
	3,543	**3,353**

[1]Includes pending litigation, provision for guaranteed debt payout and other miscellaneous accrued claims.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

14. Due to Other Governments

	In Millions	
	2004	2003
	$	$
Government of Canada		
Current	334	297
Long-term	738	
Provincial governments		
Current	30	22
Local governments[1]		
Current	7	3
	1,109	**322**

[1]Local governments are municipal units established by the provincial government which include regional and metropolitan municipalities, cities, towns, townships, districts, rural municipalities and villages.

15. Due to Crown Corporations, Agencies and Funds

	In Millions	
	2004	2003
	$	$
British Columbia Liquor Distribution Branch	44	44
Post-secondary educational institutions		1
Trust funds	79	56
	123	**101**

16. Deferred Revenue

	In Millions	
	2004	2003
	$	$
Medical Services Plan premiums	66	69
Motor vehicle licences and permits	185	166
Petroleum, natural gas and minerals, leases and fees	35	32
Water rentals and recording fees	70	76
Derivative debt instruments	144	47
Federal Contributions	390	
Unearned lease revenue	106	107
Federal and municipal highway project revenues	65	36
Forest Stand Management Fund	15	16
Deferred Capital Contributions	85	67
Miscellaneous	131	90
	1,292	**706**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

17. Employee Pension Plans (Unfunded Pension Liabilities)

	In Millions	
	2004	2003
	$	$
Members of the Legislative Assembly Superannuation Account	3	4

The province contributes to four defined benefit pension plans for substantially all its employees and to the Members of the Legislative Assembly Superannuation Account (the Account). The four pension plans are the Public Service Pension Plan, the Municipal Pension Plan, the Teachers' Pension Plan and the College Pension Plan. The plans provide pensions based on length of service and highest five-year average earnings. No unfunded liability exists for the future indexing of pensions as the obligation is limited to the amount of available assets in separate inflation accounts.

There are additional employee pension plans in Crown corporations and agencies consolidated on the modified equity basis. Net assets or net liabilities of the pension funds are included in the investment balance of the particular Crown corporation or agency.

The estimated financial position as at March 31, 2004 for each plan is as follows:

	In Millions				
	Public Service Pension Plan	Municipal Pension Plan	Teachers' Pension Plan	College Pension Plan	Total
	$	$	$	$	$
Accrued benefit obligation	8,986	9,049	10,566	1,331	29,932
Pension fund assets	11,069	10,300	10,182	1,523	33,074
	(2,083)	(1,251)	384	(192)	(3,142)
Unamortized actuarial gain (loss)			(776)	(196)	(972)
Accrued net obligation (asset)	**(2,083)**	**(1,251)**	**(392)**	**(388)**	**(4,114)**

The College, Public Service, Municipal and Teachers' plans are joint trusteeship plans. In joint trusteeship plans, control of the plans and their assets are assumed by individual pension boards made up of government and plan member representatives. Provisions of these plans stipulate that the province has no formal claim to any pension plan surpluses or assets. The boards are fully responsible for the management of the plans, including investment of the assets and administration of the plans. The British Columbia Pension Corporation (Pension Corporation) provides benefit administrative services as agents of the boards of trustees.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

17. Employee Pension Plans (Unfunded Pension Liabilities)—Continued

In the event that a plan deficit is determined by an actuarial valuation (performed every three years), the pension boards, by agreement, are required to address it through contribution adjustments or other means. It is expected, therefore, that any unfunded liabilities in the future will be short-term in nature.

The reported net assets of the pension plans are under joint trusteeship agreements which limit the province's possible conditional share to 50%. The province has no claim on accrued asset amounts. If the individual pension boards decide to reduce or suspend employer contributions for a period of time, the province may record an asset. Therefore, the recorded value of the net assets is nil until such time that such a decision is made. Also, only 70% of the pension fund assets and accrued benefit obligation are included for the Municipal Pension Plan, reflecting the province's interest in the plan.

The accrued benefit obligations and pension assets shown for 2003/04 are based on extrapolation of the most recent actuarial valuations as follows: Public Service Pension Plan (March 31, 2002); Municipal Pension Plan (December 31, 2000); Teachers' Pension Plan (December 31, 2002); and College Pension Plan (August 31, 2003). Fund assets are based on market value at the date of actuarial valuation and extrapolated using actuarial growth assumptions.

The Account is also administered by the Pension Corporation. As members of the Legislative Assembly retire, the present value of the amount required to provide a legislative member's future pension benefits are transferred from the Account to the Public Service Pension Plan from which monthly pensions are paid. Pension benefits are based on length of service and highest five-year average earnings. The unfunded pension liability for the Account represents the terminal funding that would be required from the province for the difference between the present value of the obligations for future benefit entitlements and the amount of funds available in the Account.

Key actuarial assumptions used in the valuations include a long-term annual rate of return on pension fund assets of 7.30% for the Public Service Pension Plan, 7.25% for the Municipal Pension Plan, 7.25% for the Teachers' Pension Plan, and 7.20% for the College Pension Plan, and long-term annual salary increases of 4.80% for the Public Service Pension Plan, 4.75% for the Municipal Pension Plan, 4.75% for the Teachers' Pension Plan, and 4.70% for the College Pension Plan.

The audited financial statements of each pension plan listed, along with full descriptions, benefit formulas, inflation assumptions and funding policies may be found at www.pensionsbc.ca.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

18. Taxpayer–supported Debt[1]

In Millions

	Year of Maturity	Canadian Dollar	US Dollar[2]	Japanese Yen[2]	Other Currencies[2]	2004 Canadian Dollar Total	2003 Canadian Dollar Total
Short–term promissory notes	2004						976
	2005	850	73			923	
Notes, bonds and debentures[3]	2004						1,912
	2005	1,036	489		610	2,135	2,123
	2006	2,365				2,365	2,296
	2007	1,431	1,179		370	2,980	2,987
	2008	930	829	59	418	2,236	2,248
	2009	2,103	1,157			3,260	2,970
	2009–2014	6,983	919	204	935	9,041	8,387
	2014–2019	783				783	659
	2019–2024	2,776				2,776	2,473
	2024–2029	1,635				1,635	1,632
	2029–2034	3,110				3,110	3,110
	2034–2039	665				665	165
	2039–2044	350				350	200
Total debt issued at face value		**25,017**	**4,646**	**263**	**2,333**	32,259	32,138
Sinking funds[4]						(2,680)	(3,135)
Unamortized premium (discount)						(119)	(119)
Unrealized foreign exchange gains/(losses)						(18)	24
Amount held in the Consolidated Revenue Fund						(11)	(9)
Total taxpayer–supported debt						**29,431**	**28,899**

The effective interest rates (weighted average percent) as at March 31 on the above debt are:

2004	5.67%
2003	5.98%

[1] The balances and interest rates reflect the impact of the related derivative contracts, presented in Note 20 (Risk Management and Derivative Financial Instruments).

[2] Foreign currencies include: $3,023 million US ($4,646 million Canadian); 22,000 million Japanese yen ($263 million Canadian); 1,000 million Swiss francs ($1,028 million Canadian); and 741 million euros ($1,305 million Canadian). Effective January 1, 2002, debt originally issued in and totalling 2,499 million French francs and 703 million Deutsche marks was converted at established fixed exchange rates (6.55957 French francs for 1 euro and 1.95583 Deutsche marks for 1 euro) and is now reported in euros.

[3] Notes, bonds and debentures include nil (2003: $6 million) in bank loans, $32 million (2003: $47 million) in capital leases and $134 million (2003: $141 million) in mortgages.

[4] Sinking fund balances include assets totalling $108 million (2003: $138 million) invested in the Matched Book Program and assets totalling $2,572 million (2003: $2,997 million) set aside for orderly repayment of debt. Sinking funds are managed by the British Columbia Investment Management Corporation.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

18. Taxpayer–supported Debt—Continued

Notes, bonds and debentures

Redeemable by the bond holder

Balances include debentures issued to the Canada Pension Plan totalling $3,424 million (2003: $3,447 million) at a weighted average interest rate of 8.73% (2003: 9.27%). These debentures mature at various dates from April 2, 2004 to March 1, 2024, with interest rates varying between 5.29% and 14.06%. These debentures are redeemable in whole or in part before maturity, on six months' prior notice, at the option of the Minister of Finance of Canada, subject to certain restrictions. During the year, $300 million in Canada Pension Plan debentures were issued. Under Canada Pension Plan legislation, any significant amendment to benefits or contributions requires the approval of the legislature of two–thirds of the provinces.

Balances include 5.45% debentures due August 17, 2028, totalling $200 million (2003: $200 million). The holders have a put option that, if exercised, would result in the bond maturing on August 17, 2005. If the option is not exercised, the debenture will mature on August 17, 2028, and the effective rate on the bond will be 5.62% for the period August 18, 2005 to August 17, 2028.

Balances include 5.86% debentures due June 18, 2029, totalling $250 million (2003: $250 million). The holders have a put option that, if exercised, would result in the bond maturing on June 19, 2006. If the option is not exercised, the debenture will mature on June 18, 2029.

Balances include British Columbia Savings Bonds totalling $180 million (2003: $229 million) maturing at dates from October 15, 2005 to October 15, 2007, and with an effective rate of 2.35% are redeemable at par by the holder each April 15 and October 15 prior to maturity.

Redeemable by the province

Balances include debentures issued to the Canada Pension Plan totalling $3,424 million (2003: $3,447 million) at a weighted average interest rate of 8.73% (2003: 9.27%). These debentures mature at various dates from April 2, 2004 to March 1, 2024, with interest rates varying between 5.29% and 14.06%. These debentures are redeemable in whole or in part before maturity, on 30 days' prior notice, at the option of the province.

Issues totalling $150 million (2003: $80 million) with effective rates ranging from 2.25% to 2.31% are redeemable at par at the province's option on dates ranging from October 20, 2005 to April 30, 2015.

Defeasances

At March 31, 2004, sufficient securities had been set aside in a defeasance trust account to satisfy the scheduled interest and principal payment requirements of $763 million (2003: $814 million). The securities are government of Canada bonds, provincial bonds or BC Municipal Finance Authority securities that are held to maturity and match the timing and specific amounts required to pay the interest and principal payments on the debt. The debt is considered extinguished for financial reporting purposes. The debt and related securities used to extinguish the debt are removed from the province's Statement of Financial Position.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

18. Taxpayer–supported Debt—Continued

Notes, bonds and debentures—Continued

Aggregate payments to meet sinking fund instalments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund instalments and retirement provisions on notes, bonds and debentures are:

	In Millions Canadian Dollar
2005	1,836
2006	2,164
2007	2,765
2008	2,101
2009	3,130

19. Self–supported Debt[1]

		In Millions					
	Year of Maturity	Canadian Dollar	US Dollar[2]	Japanese Yen[2]	Other Currencies[2]	2004 Canadian Dollar Total	2003 Canadian Dollar Total
Short–term promissory notes	2004						1,187
	2005	267	733			1,000	
Notes, bonds and debentures	2004						300
	2005	388	75	135		598	598
	2006	413				413	413
	2007	314				314	314
	2008	9	397			406	430
	2009	144				144	144
	2009–2014	1,674	356		150	2,180	1,747
	2014–2019	350				350	
	2019–2024	1,296				1,296	1,296
	2024–2029	75	655			730	810
	2029–2034	575				575	575
	2034–2039	50	393			443	491
Total debt issued at face value		**5,555**	**2,609**	**135**	**150**	8,449	8,305
Sinking funds[3]						(1,048)	(1,029)
Unamortized premium (discount)						4	(6)
Unrealized foreign exchange gains/(losses)						102	(45)
Total self–supported debt						**7,507**	**7,225**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

19. Self-supported Debt—Continued

The effective interest rates (weighted average percent) as at March 31 on the above debt are:

2004	6.11%	
2003		6.25%

[1]The balances and interest rates reflect the impact of the related derivative contracts, presented in Note 20 (Risk Management and Derivative Financial Instruments).

[2]Foreign currencies include: $1,949 million US ($2,609 million Canadian); 10,000 million Japanese yen ($135 million Canadian); 97 million euros ($150 million Canadian).

[3]Sinking funds at March 31, 2004, totalling $397 million US (2003: $372 million US) act as a natural hedge of the US dollar debentures and short-term promissory notes. Sinking funds are managed by the British Columbia Investment Management Corporation.

Notes, bonds and debentures

Redeemable by the bond holder

Balances include debentures issued to the Canada Pension Plan totalling $317 million (2003: $317 million) at a weighted average interest rate of 11.11% (2003: 11.11%). These debentures mature at various dates from July 10, 2004 to June 9, 2009 with interest rates varying between 9.62% and 14.06%. These debentures are redeemable in whole or in part before maturity, on six months' prior notice, at the option of the Minister of Finance of Canada, subject to certain restrictions. During the year, no Canada Pension Plan debentures were issued for self-supported debt. Under Canada Pension Plan legislation, any significant amendment to benefits or contributions requires the approval of the legislature of two-thirds of the provinces.

Redeemable by the province

Balances include debentures issued to the Canada Pension Plan totalling $317 million (2003: $317 million) at a weighted average interest rate of 11.11% (2003: 11.11%). These debentures mature at various dates from July 10, 2004 to June 9, 2009, with interest rates varying between 9.62% and 14.06%. These debentures are redeemable in whole or in part before maturity, on 30 days' prior notice, at the option of the province.

Defeasances

At March 31, 2004, sufficient securities had been set aside in a defeasance trust account to satisfy the scheduled interest and principal payment requirements of $68 million (2003: $68 million). The securities are government of Canada bonds or provincial bonds that are held to maturity and match the timing and specific amounts required to pay the interest and principal payments on the debt. The debt is considered extinguished for financial reporting purposes. The debt and related securities used to extinguish the debt are removed from the province's Statement of Financial Position.

Aggregate payments to meet sinking fund instalments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund instalments and retirement provisions on notes, bonds and debentures are:

	In Millions Canadian Dollar
2005	566
2006	427
2007	327
2008	431
2009	150

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

20. Risk Management and Derivative Financial Instruments

The province borrows funds in both domestic and foreign capital markets, and manages its existing debt portfolio to achieve the lowest debt costs within specified risk parameters. As a result, the province is exposed to risks associated with interest rate fluctuations, foreign exchange rate fluctuations and credit risk. In accordance with risk management policy guidelines set by the Risk Committee of the Ministry of Finance, the province uses a variety of derivative financial instruments to hedge exposure to interest and foreign exchange risks.

Derivatives used by the province include interest rate swaps, cross–currency swaps, forward foreign exchange contracts, forward rate agreements, advanced rate setting agreements and options. A derivative instrument is a financial contract with a financial institution or counterparty that is applied to effect a hedge on interest rate or foreign exchange exposure contained in the underlying provincial debt instrument. A derivative derives value from the impact of market changes on the underlying hedged debt instrument.

The province also engaged in commodity derivative hedging on behalf of the British Columbia Ferry Corporation. The objective of commodity derivative hedging was to reduce the financial risks associated with price volatility in the commodity market. As at March 31, 2004, the remaining notional amounts under commodity contracts totalled nil (2003: 122,000) barrels of oil. Effective April 2, 2003, the contracts were transferred to British Columbia Ferry Services Inc. and matured at various dates from May 31, 2003, to August 31, 2003.

The following tables present maturity schedules of the province's derivatives by type, outstanding at March 31, 2004, based on the notional amounts of the contracts.

Taxpayer–supported Debt

In Millions

Year of Maturity	Cross Currency Swaps	Interest Rate Swaps	Advanced Rate Setting Agreement	Forward Foreign Exchange Contracts	Total
	$	$	$	$	$
2005	1,099	95	200	73	1,467
2006		745			745
2007	1,919	1,679			3,598
2008	1,305				1,305
2009	1,158	1,055			2,213
6–10 years	2,013	1,011			3,024
Over 10 years	218	634			852
Total	**7,712**	**5,219**	**200**	**73**	**13,204**

As at March 31, 2004, the province entered into two advanced rate setting agreements to lock in interest rates in advance of an expected bond issue. The hedging instrument for both is a Government of Canada bond, 5.75%, maturing June 1, 2029 with a notional amount of $200 million.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

20. Risk Management and Derivative Financial Instruments—Continued

Self-supported Debt

In Millions

Year of Maturity	Cross Currency Swaps	Interest Rate Swaps	Delayed Interest Rate Swap	Total
	$	$	$	$
2005	279	1,168		1,447
2006	135	236		371
2007		200		200
2008	200	524		724
2009				
6–10 years	440	1,296	200	1,936
Over 10 years		150		150
Total	**1,054**	**3,574**	**200**	**4,828**

On behalf of British Columbia Hydro and Power Authority (BC Hydro), the province entered into a delayed interest rate swap to hedge the refinancing risk on a BC Hydro debt issue. Under the interest rate swap, the province pays a fixed semi-annual rate and receives a floating rate, starting June 21, 2004 and maturing December 21, 2012, on a notional amount of $200 million.

Interest rate risk

Interest rate risk is the risk that the province's debt servicing costs will fluctuate due to changes in interest rates. The province uses derivative contracts to manage interest rate risk by exchanging a series of interest payments, and assuming either a fixed or floating rate liability to a counterparty, based on the notional principal amount. Derivatives allow the province to alter the proportion of its debt held in fixed and floating rate form to take advantage of changes in interest rates.

The government's current policy guidelines, with respect to the provincial government direct debt portfolio, that totals $25,943 million (2003: $25,309 million), allow floating rate exposure up to 45.00% (2003: 45.00%) of this portion of the taxpayer-supported debt. At March 31, 2004, floating rate debt exposure was 35.62% (2003: 40.57%) of the government direct debt portfolio.

Under current policy guidelines for BC Hydro, the maximum floating rate exposure is 46.00% (2003: 46.00%) of their debt that totals $7,040 million (2003: $6,784 million). At March 31, 2004, floating rate debt exposure for BC Hydro was 29.30% (2003: 38.40%) of their debt.

Based on the taxpayer-supported and self-supported debt portfolios at March 31, 2004, a 1.00% increase in interest rates would result in an increase in the annual debt servicing expense of $93 million (2003: $100 million) for the taxpayer-supported debt portfolio and $15 million (2003: $25 million) for the self-supported debt portfolio.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

20. Risk Management and Derivative Financial Instruments—Continued

Foreign exchange risk

Foreign exchange risk is the risk that the province's debt servicing costs and principal payments will fluctuate due to changes in foreign exchange rates. The province uses derivative contracts to hedge foreign exchange risk by converting foreign currency principal and interest cash flows into Canadian dollar cash flows. Within specified limits set by policy, the province and provincial corporations may only assume unhedged exposure to US dollars and Japanese yen.

The government's current policy guidelines with respect to the provincial government direct debt portfolio, which totals $25,943 million (2003: $25,309 million), allow unhedged foreign debt exposure up to 10.00% (2003: 10.00%) of this portion of the taxpayer–supported debt. At March 31, 2004, unhedged foreign debt exposure in Japanese yen was 4.73% (2003: 2.99%) of the government direct debt portfolio. At March 31, 2004, there was no unhedged foreign debt exposure in US dollars for the government direct debt portfolio (2003: nil).

Under current policy guidelines for BC Hydro, the maximum unhedged foreign debt exposure is 30.00% (2003: 30.00%) of their debt, which totals $7,040 million (2003: $6,784 million). At March 31, 2004, 20.10% (2003: 25.20%) of their debt was in the form of unhedged foreign debt in US dollars.

Based on the taxpayer–supported and self–supported debt portfolios at March 31, 2004, a one cent decrease in the Canadian dollar versus the US dollar would result in an increase of $11 million (2003: $15 million) in the annual debt servicing expense for the self–supported debt portfolio. A decrease of one yen versus the value of the Canadian dollar (for example, from 79 yen to 78 yen) would result in an increase to the annual debt servicing expense of $3 million (2003: $2 million) for the taxpayer–supported debt portfolio.

Credit risk

Credit risk is the risk that the province will incur financial loss due to a counterparty defaulting on its financial obligation to the province. In accordance with the government's policy guidelines, the province reduces its credit risk by dealing with only highly rated counterparties. The province only enters into derivative transactions with counterparties that have a rating from Moody's Investors Service and Standard & Poor's of at least AA–/Aa3 or A+/A1 in the case of Canadian Schedule A banks. The province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

21. Net Liabilities

The Statement of Change in Net Liabilities (*see* page 33) shows the net impact of applying the expenditure basis of accounting. The net liabilities calculation uses the expenditure, rather than the expense, basis of accounting. Under the expenditure basis of accounting, prepaid capital advances, tangible capital assets, prepaid program costs and other assets are recorded as expenditures when calculating the current year surplus or deficit. Under the expense basis of accounting, these items are recorded on the Statement of Financial Position as assets and amortized over an applicable period of time.

22. Tangible Capital Assets

	In Millions	
	2004	2003
	Net Book Value $	Net Book Value $
Land and land improvements	833	770
Buildings (including tenant improvements)	921	944
Highway infrastructure	6,263	6,161
Ferries and related infrastructure	11	15
Transportation equipment	2,053	2,088
Computer hardware and software	268	257
Other	133	146
	10,482	**10,381**

See Statement of Tangible Capital Assets on page 75.

The estimated useful lives of the more common tangible capital assets are: buildings (10–50 years); highway infrastructure (15–40 years); ferries and related infrastructure (5–40 years); transportation equipment (5–40 years); computer hardware and software (3–5 years); and other (including vehicles, specialized equipment, and furniture and equipment) (5–20 years). Land improvements are amortized over 30 years (recreation areas) or 40 years (dams and water management systems). Tenant improvements are amortized over 5 years or the length of the relevant lease term.

Included in tangible capital assets of British Columbia Transit (BCT) and of Rapid Transit Project 2000 Ltd (RTP) are capital assets under lease to Greater Vancouver Transportation Authority (GVTA). These capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to GVTA for their use under the *Greater Vancouver Transportation Authority Act* and an Order in Council (OIC) enacted thereunder, and represent one of the province's contributions toward public transportation in the Greater Vancouver Regional District. The OIC–directed lease arrangements with GVTA and BCT are for one dollar per year under an initial fifteen–year term with additional five–year renewal periods upon the agreement of BCT and GVTA. The net book value of these assets is $945 million (2003: $963 million). A similar lease arrangement is under negotiation with GVTA for the RTP assets.

23. Prepaid Capital Advances

	In Millions	
	2004	2003
	$	$
Health facilities	3,074	2,953
Post–secondary educational institutions	2,609	2,401
Schools	6,429	6,475
	12,112	11,829
Accumulated amortization	(4,976)	(4,721)
	7,136	**7,108**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

24. Prepaid Program Costs

	In Millions 2004	2003
	$	$
Prepaid program costs[1]	**82**	**107**

[1]Includes inventories of operating material held in the Purchasing Commission and Queen's Printer warehouses pending distribution in a subsequent fiscal year. Also includes inventories of supplies and other not for resale items held by taxpayer-supported Crown corporations and agencies and charged to expenses when consumed in the normal course of operations.

25. Other Assets

	In Millions 2004	2003
	$	$
Deferred debt instrument costs	119	122
Deferred treaty costs	21	23
Other deferred costs	4	3
	144	**148**

26. Accumulated Surplus (Deficit)

	In Millions 2004	2003
	$	$
Accumulated surplus (deficit)—beginning of year as previously reported	(7,954)	(4,785)
Adjustments to accumulated surplus (deficit)[1,2]	(61)	(31)
Accumulated surplus (deficit)—beginning of year as restated[2]	(8,015)	(4,816)
Surplus (deficit) for the year[2]	(1,339)	(3,199)
Accumulated surplus (deficit)—end of year	**(9,354)**	**(8,015)**

[1]In fiscal 2002/03, the opening accumulated deficit for 2002/03 was restated to apply changes due to correction of errors. These adjustments were made: to recognize the outstanding amount of leave liability for the Healthcare Benefits Trust for those organizations funded through government ($30 million increase); to adjust the land account for land held for the federal government that had been capitalized by the province ($1 million increase); to adjust revenue recognition for safety inspection fees recognized as revenue in prior years that should have been deferred to future years to coincide with the related cost incurrence ($8 million increase); and, to transfer the trust account held for the Crop Insurance Fund to be included as a part of regular government operations, ($8 million decrease). The net effect of these changes results in an increase to the 2002/03 opening accumulated deficit of $31 million (from $4,785 to $4,816).

[2]In fiscal 2003/04, further restatements to the 2002/03 accumulated deficit were made to apply changes due to correction of errors. These adjustments were made: to recognize the outstanding amount of leave liability for the Healthcare Benefits Trust for those organizations funded through government ($23 million increase); to adjust expense for School District Building Envelope Program ($7 million increase); to transfer the trust account held for the Crop Insurance Fund to be included as a part of regular government operations, ($8 million decrease); and, to adjust the accrual for employee leave liability ($8 million increase). The net effect of these changes is a $30 million increase to the 2002/03 deficit (from $3,169 to $3,199). When combined with the prior year's change, the total impact to the 2003/04 opening accumulated deficit is $61 million (from $7,954 to $8,015).

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

27. Contingencies and Commitments

(a) GUARANTEED DEBT

Guaranteed debt as at March 31, 2004, totalled $156 million (2003: $264 million). These guarantees include amounts where indemnities have been made for explicit quantifiable loans. *See* Statement of Guaranteed Debt on page 76 for details.

(b) CONTINGENT LIABILITIES

(i) Litigation

The province is a defendant in legal actions and is involved in matters such as expropriation compensation disputes and tax assessment appeals. These matters may give rise to future liabilities.

The province has the following contingent liabilities where the estimated or known claim is or exceeds $100,000, but the likelihood of payment is uncertain.

	In Millions	
	2004	2003
	$	$
Negligence and miscellaneous	2	38
Contract disputes	130	163
Damages to persons or property	28	157
Expropriation disputes		34
Timber harvesting rights disputes	3	
Property access disputes	9	22
Motor vehicle accidents	1	2
Tax disputes	18	8
	191	**424**

When it is determined that it is likely that a liability exists and the amount can be reasonably estimated, the amount is recorded as an accrued liability (*see* Note 13) and an expense. The accrued liability for litigation at March 31, 2004 was $61 million (2003: $36 million).

(ii) Guarantees and Indemnities

The province also has contingent liabilities in the form of indemnities, indirect guarantees and outstanding claims for amounts that are not explicit or reasonably estimable at this time.

(iii) Environmental Clean-up

The province is responsible for the environmental clean-up of numerous contaminated sites in the province. For those sites where the province has possession, a liability of $130 million (2003: $145 million) has been accrued based on preliminary environmental audits. This liability is based on the minimum estimated clean-up costs for those sites where an estimate has been made and it has been determined that the government is liable. Estimated clean-up costs, not already accrued, for sites under evaluation are approximately $93 million at March 31, 2004. In addition, the Ministry of Energy and Mines has determined possible net liabilities of $300 million for sites the province does not own. Many other sites remain to be evaluated; the future liability for all environmental clean-up costs is not currently determinable.

(iv) Aboriginal Land Claims

Treaty negotiations between the province, Canada and First Nations commenced in 1994. The province anticipates that these negotiations will result in modern-day treaties defining the boundaries and nature of First Nations treaty settlement lands. As of March 31, 2004, there were 45 treaty tables in various stages of negotiation, representing two-thirds of the aboriginal people in British Columbia.

When final treaty agreements are ratified, the provincial cost of treaties is recorded in the Public Accounts. Costs are amortized over the same period as the period of capital transfers established in final agreements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

27. Contingencies and Commitments—Continued

Four Agreements in Principle (AiPs) were signed in 2003, to add to the AiP signed with Sechelt in 1999. It is expected that the capital transfer components in all the AiPs will be entirely provided by Canada. The provincial land commitments of Provincial Crown Land within all five AiPs are as follows:

- Lheidli T'enneh, 3,120 hectares
- Maa-nulth, 20,900 hectares
- Sliammon, 6,000 hectares
- Tsawwassen, 427 hectares
- Sechelt, 933 hectares

Since the signing of the Sechelt AiP, there has been little or no progress in negotiations and a final agreement is not anticipated in the near future.

Eighty percent of funding for First Nations negotiation costs is in the form of loans from Canada and is repayable from treaty settlements. The province has committed to reimburse Canada 50% of any negotiation support loans that default, along with 50% of the interest accrued. The earliest date at which the loans are expected to become due is 2006 and the amount of any provincial liability is not determinable at this time.

Some First Nations have chosen not to negotiate through the formal British Columbia Treaty Commission process. Several have commenced litigation claiming aboriginal rights and/or title over their asserted Traditional Territories and/or challenging provincial approvals regarding resource allocation and extraction on those lands with respect to the adequacy of consultation and accommodation. The result of these actions is not determinable at this time.

(v) Crown Corporations

The Insurance Corporation of British Columbia (ICBC) has settled some claims which require ICBC to provide claimants with periodic payments, usually for a lifetime. ICBC has purchased annuities to make these payments; however, if the annuities are insufficient, ICBC remains responsible. The gross amount of these settlements at December 31, 2003, was approximately $594 million (2002: $569 million).

The BC Transportation Financing Authority has contingent liabilities of $92 million remaining after deducting the estimated settlement expense currently accrued from gross claims outstanding for capital projects.

Powerex, a wholly-owned subsidiary of the British Columbia Hydro and Power Authority, has been named as a defendant in a number of lawsuits regarding alleged market manipulation of energy prices in the California wholesale electricity markets. Estimates of claims against all market participants could reach several billion US dollars. Management cannot predict the outcome of the various claims; however, Powerex states the terms of its sales were just and reasonable.

(c) COMMITMENTS

The government has ongoing operational and capital commitments to fund a variety of programs for public welfare including health, education, social services, protection of persons and property, and management of natural resources. Any significant non-operating commitments of less than five years duration and costing more than $50 million are detailed in this note.

(i) Restructuring plan

The province is in the final year of a three-year restructuring plan. In each year, associated costs are determined, included in the Estimates, and recorded in the financial statements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

27. Contingencies and Commitments—Continued

(ii) 2010 Winter Olympics

On July 2, 2003, the International Olympic Committee selected Vancouver to host the 2010 Olympic and Paralympic Winter Games. A comprehensive Multi-Party Agreement (MPA) between Canada, British Columbia, the City of Vancouver, the Resort Municipality of Whistler, the Canadian Olympic Committee, the Canadian Paralympic Committee, and the Vancouver 2010 Organizing Committee was signed November 14, 2002. This agreement establishes the roles and relationships of all the parties, the contractual arrangements, financial contributions, legal responsibilities, and the sport legacies of the Games. On September 30, 2003 the "Vancouver Organizing Committee for the 2010 Olympic and Paralympic Games" (VANOC) was incorporated. The province has the power to appoint three of the twenty board members. VANOC's mandate is to plan, organize, finance and stage the Winter Games.

The province, has established a commitment of $600 million for the 2010 Olympic Games. The MPA outlines the province's obligations for the Games. The obligations include: medical services for the Games; sharing security costs with the Government of Canada; providing one half of the costs of the venues; and providing $55 million to the Legacy Endowment Fund. To date, the province has spent $111 million toward its $600 million commitment. In addition, the province has guaranteed any potential financial shortfall that may be incurred by VANOC as a result of staging the Games. A shortfall is not anticipated at this time. The province has also agreed to upgrade the Sea to Sky Highway at a cost estimated to be $600 million.

(iii) Crown corporations

The province has committed to the construction of the expansion to the Vancouver Convention Centre and other shared upgrades to adjacent facilities. The cost is to be shared by the province ($230 million), the Government of Canada ($223 million) and Tourism Vancouver ($90 million).

28. Revenue

	In Millions	
	2004	2003
Taxation revenue includes	$	$
Personal income	4,878	4,154
Corporation income	776	613
Social service	4,001	3,794
Property	1,576	1,541
Other	2,577	2,175
	13,808	**12,277**

See notes at end of the Schedule of Net Revenue by Source on page 94 for additional information on taxation revenue.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

29. Expense

Interest expense by function	In Millions 2004	2003
	$	$
Health	151	152
Education	446	453
Transportation	138	138
Interest[1]	1,451	1,493
	2,186	**2,236**

Total expense by group account classification	In Millions 2004	2003
	$	$
Government transfers	19,669	19,544
Operating costs	2,677	2,369
Salaries and benefits	2,370	2,281
Interest[1]	2,186	2,236
Other	466	583
Amortization	523	564
	27,891	**27,577**

[1] Includes foreign exchange gain amortization of $19 million (2003: loss amortization of $7 million)

30. Valuation Allowances

	In Millions 2004	2003
	$	$
Accounts receivable	165	152
Loans, advances and mortgages receivable	41	31
Investments	8	6
Tangible capital assets	14	7
	228	**196**

These amounts are included in Other in expense by group account classification in Note 29 and represent the write-down of assets and liabilities in the above Statement of Financial Position categories.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

31. Comparison to Estimates

The Estimates numbers on the Statement of Operations are taken from the Estimated Statement of Operations on page 4 of the Estimates, Fiscal Year Ending March 31, 2004. They do not include supplementary spending of $419 million approved by the Legislature during the 2003/04 fiscal year. Of this amount, $319 million was additional Canadian Health and Social Transfer funds from the federal government that were not known at the time of the budget, but were included in the *Supply Act* passed on May 29, 2003.

32. Trusts Under Administration

	In Millions 2004	2003
	$	$
Public Trustee and Official Administrators —administered by government officials	530	575
Supreme and Provincial Court (Suitors' Funds) —administered by the Courts	32	22
Credit Union Deposit Insurance Corporation of B.C. —administered by various government officials and a non-government investment corporation	117	104
Other trust funds —administered by various government officials	68	43
	747	**744**

33. Workers' Compensation Board of British Columbia (WCB)

WCB administers the *Workers' Compensation Act*. Its main functions are promotion of occupational health and safety, compensation for occupational injury, death or disease, and rehabilitation of injured workers. WCB collects funds necessary for its operations from employers covered under the Act, and operates similar to a trust. It is excluded from the government reporting entity. The audited financial statements of WCB at December 31 reflect the following financial information:

	In Millions December 31 2003	December 31 2002
	$	$
Assets	8,481	8,078
Liabilities	8,473	8,225
Net Equity	**8**	**(147)**

	In Millions December 31 2003	December 31 2002
	$	$
Revenue	1,573	795
Expense	1,419	1,366
Surplus (deficit)	**154**	**(571)**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

34. Significant Events

Government Restructuring

The province has stated its intentions to reorganize government. As part of the reorganization, the province will discontinue some operations and invite outside investors to participate in other operations. These include, among others, liquor distribution, land registry operations, rail operations and highway operations.

British Columbia Railway Company (BCRC) Operations

On November 25, 2003, BCRC and BCR Properties signed an agreement with Canadian National Railway Company (CN) under which CN will assume the operations of the industrial freight railway business carried on by BC Rail Partnership, by purchasing the shares of BC Rail Ltd., and the partnership interests of BC Rail Partnership (collectively "BC Rail"), for proceeds of $1 billion (the "Transaction").

Prior to closing, BC Rail will undergo a corporate restructuring to ensure that only assets and liabilities of BC Rail's Industrial Freight Railway business are owned by BC Rail at the time of the Transaction. Part of this restructuring will involve transferring the railbed and related infrastructure from BC Rail to BCRC. The BC Rail Partnership and BC Rail will continue to be liable for certain inter-company debt owing to BCRC and BCR Properties.

As part of the Transaction, BCRC and CN will enter into a Revitalization Agreement under which CN will lease the railbed and related infrastructure from BCRC for a term of 60 years. The Revitalization Agreement also gives CN the option to renew the lease for an additional 30 years at no cost to CN and allows for further extensions of the term of the agreement beyond this time, should BCRC not excercize its option to repurchase the rail operations.

The province and BCRC have provided commercial indemnities to CN with respect to the Transaction including indemnities related to tax attributes of BC Rail at closing.

The maximum payable under the indemnities related to tax attributes is $367 million, plus interest at 9% from the date of closing and any taxes payable by CN on the amounts received under the indemnities. These indemnities remain in effect until 90 days after the last date on which a tax assessment or reassessment can be issued in respect of the tax attributes. It is unlikely the province and BCRC will ultimately be held liable for any amounts under these indemnities.

The maximum payable under the other indemnities - not related to tax attributes - is limited to $262 million. There are certain other specific indemnities (including certain environmental indemnities and matters unrelated to the industrial freight railway business) for which there are not limits on the amounts payable thereunder.

At March 31, 2004, the book value of the net assets of these operations held for sale was $755 million and annual net income was $86 million.

Columbia Basin Trust

On January 16, 2004, the provincial government announced a regulation to bring the *Columbia Basin Trust Amendment Act, 2003* into force. The government's stated objective is to increase efficiency and deliver ongoing savings, provide representation from Columbia Basin residents and continue the mandate of the Columbia Basin Trust to invest its share of the power project and other income to further the economic, social and environmental well-being of Columbia Basin residents. The development and management of power projects, currently done through joint ventures between the Trust and Columbia Power Corporation, will be consolidated under a single corporation that will be a subsidiary of the Trust. The Trust will hold 100% of the subsidiary's shares and will appoint a majority of the board of directors. The mandate of the power subsidiary and the continued 50/50 sharing of power income will be set out in agreements between the province and the Trust to implement the power restructuring.

On May 3, 2004, the Arrow Lakes Generating Station(a joint venture of the Columbia Basin Trust and Columbia Power Corporation) incurred damage to a portion of the intake channel resulting in the temporary suspension of power generation. The cause of the damage is currently under investigation and the appropriate steps have been taken to prevent further damage and to carry out necessary repairs. The financial impact of this cannot be determined at this time. Recourse under insurance policies and warranties under the Design-Build Contract are currently under investigation.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2004—Continued

35. Restructuring Exit Expense

Reported restructuring exit expenses of $122 million (2003: $169 million) do not include an additional recovery of ($16) million (2003: expenses of $78 million) for restructuring exit expenses of government organizations that were consolidated using the modified equity basis. This consists of $8 million in expenses (2003: expenses of $37 million) for British Columbia Hydro and Power Authority, recoveries of ($25) million (2003: expenses of $26 million) for the British Columbia Liquor Distribution Branch, nil (2003: expenses of $15 million) for the Insurance Corporation of British Columbia and expenses of $1 million (2003: nil) for British Columbia Lottery Corporation.

	In Millions	
	2004	2003
Restructuring exit expense by function	$	$
Health	10	6
Education	1	2
Social services	22	17
Protection of persons and property	17	2
Transportation	5	14
Natural resources	25	69
Other	13	55
General government	29	4
	122	169

	In Millions	
	2004	2003
Restructuring exit expense by group account classification	$	$
Government transfers	3	16
Operating costs	38	61
Salaries and benefits	78	89
Other	3	3
	122	169

36. Comparatives

Certain of the comparative figures for the previous year have been restated to conform with the current year's presentation. These restatements have had no effect on the operating result as previously reported except as specifically noted.

Summary Financial Statements
Reporting Entity
for the Fiscal Year Ended March 31, 2004

TAXPAYER-SUPPORTED CROWN CORPORATIONS AND AGENCIES
(GOVERNMENT ORGANIZATIONS)
RECORDED ON A CONSOLIDATED BASIS

Consolidated Revenue Fund[1]

Health Sector
- Canadian Blood Services[2]
- Forensic Psychiatric Services Commission

Education Sector
- Industry Training and Apprenticeship Commission[3]
- Industry Training Authority[4]
- Private Post-Secondary Education Commission

Natural Resources and Economic Development Sector
- 552513 British Columbia Ltd[5]
- BC Immigrant Investment Fund Ltd
- B.C. Pavilion Corporation
- British Columbia Enterprise Corporation
- British Columbia Trade Development Corporation[1,6]
- Columbia Basin Trust
- Creston Valley Wildlife Management Authority Trust Fund
- Discovery Enterprises Inc
- Forestry Innovation Investment Ltd[4]
- Innovation and Science Council of British Columbia[6]
- Land and Water British Columbia Inc
- Oil and Gas Commission
- Partnerships British Columbia Inc
- Tourism British Columbia
- Vancouver Convention Centre Expansion Project[4]
- Vancouver Trade and Convention Centre Authority

Transportation Sector
- BC Transportation Financing Authority
- British Columbia Ferry Corporation[7]
- British Columbia Transit
- Rapid Transit Project 2000 Ltd
- Victoria Line Ltd[5]

Protection of Persons and Property
- British Columbia Securities Commission
- Organized Crime Agency of British Columbia Society

Social Services Sector
- B.C. Community Financial Services Corporation
- Interim Authority for Community Living British Columbia
- Legal Services Society

Summary Financial Statements
Reporting Entity
for the Fiscal Year Ended March 31, 2004—Continued

Taxpayer-supported Crown Corporations and Agencies (Government Organizations) Recorded on a Consolidated Basis—continued

Other Sector

B.C. Festival of the Arts Society[1]
B.C. Games Society
British Columbia Arts Council
British Columbia Assessment Authority
British Columbia Buildings Corporation
British Columbia Heritage Trust[1]
British Columbia Housing Management Commission
First Peoples' Heritage, Language and Culture Council
Homeowner Protection Office
Pacific National Exhibition[2]
Provincial Rental Housing Corporation
Royal BC Museum[4]

Self-supported Crown Corporations and Agencies (Government Enterprises) Recorded on a Modified Equity Basis

BCIF Management Ltd
British Columbia Hydro and Power Authority
British Columbia Liquor Distribution Branch
British Columbia Lottery Corporation
British Columbia Railway Company
Columbia Power Corporation
Insurance Corporation of British Columbia
Provincial Capital Commission

[1] The Consolidated Revenue Fund has been allocated to the appropriate sector on the Statement of Financial Position by Sector (page 69) and Operations by Sector (page 71).
[2] This organization reflects a government partnership amongst Canadian provinces and is proportionally consolidated based upon the province's share (14.67%) of the total provincial contributions to the partnership.
[3] These organizations were wound up during the fiscal year.
[4] These organizations began operations during the fiscal year.
[5] 552513 British Columbia Ltd was involved in the acquisition and disposal of Skeena Cellulose Inc.
[6] This organization changed its name during the current year. It was formerly known as Science Council of British Columbia.
[7] During the year, the government transferred control of these organizations to outside the government reporting entity.

Summary Financial Statements
Statement of Financial Position by Sector
as at March 31, 2004

In Millions

	Health	Education	Social Services	Debt Servicing	PPP[1]	Transportation	NR and ED[2]	Other[3]	General Government[4]	Adjustments[5]	Total
Financial Assets	$	$	$	$	$	$	$	$	$	$	$
Cash and temporary investments	15	1	11	238		14	157	(6)			430
Accounts receivable	104	27	77	380	136	31	725	24	1,083	(45)	2,542
Inventories for resale					7	10	192	20	9		238
Due from the Province of British Columbia						37				(37)	
Due from other governments	19	36	7		13	17	22	29	201		344
Due from self-supported Crown corporations and agencies							93		71		164
Equity in self-supported Crown corporations and agencies			5		618	422	1,934	16		(6)	2,989
Loans, advances and mortgages receivable	3	303	1		5	428	85	59	164		1,048
Other investments	27			23		76	268	59			453
Loans for purchase of assets, recoverable from agencies				10,839						(3,237)	7,602
	168	367	101	11,480	779	1,035	3,476	201	1,528	(3,325)	15,810

Summary Financial Statements
Statement of Financial Position by Sector
as at March 31, 2004—Continued

In Millions

	Health	Education	Social Services	Debt Servicing	PPP[1]	Transportation	NR and ED[2]	Other[3]	General Government[4]	Adjustments[5]	Total
Liabilities	$	$	$	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	527	87	139	805	230	225	659	301	640	(70)	3,543
Due to other governments	30		6		47	3	7	2	1,014		1,109
Due to Crown corporations, agencies and funds							1	78	44		123
Due to the Province of British Columbia											
Deferred revenue	109	10		144	226	131	173	111	391	(3)	1,292
Unfunded pension liabilities									3		3
Taxpayer-supported debt	5		5	29,245	4	2,851	60	508	1	(3,248)	29,431
Self-supported debt				7,507							7,507
	671	97	150	37,701	507	3,210	900	1,000	2,093	(3,321)	43,008
Net liabilities	(503)	270	(49)	(26,221)	272	(2,175)	2,576	(799)	(565)	(4)	(27,198)
Non-financial Assets											
Tangible capital assets	83	13	30		65	8,438	676	1,037	140		10,482
Prepaid capital advances	1,670	5,466									7,136
Prepaid program costs	15		1		4	22	18	13	9		82
Other assets				105	21	15	3				144
	1,768	5,479	31	105	90	8,475	697	1,050	149	0	17,844
Accumulated surplus (deficit)	**1,265**	**5,749**	**(18)**	**(26,116)**	**362**	**6,300**	**3,273**	**251**	**(416)**	**(4)**	**(9,354)**

[1]Protection of persons and property.

[2]Natural Resources and Economic Development.

[3]Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.

[4]Includes the Legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.

[5]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements
Statement of Operations by Sector
for the Fiscal Year Ended March 31, 2004

In Millions

Revenue	Health	Education	Social Services	Debt Servicing	PPP[1]	Transpor-tation	NR and ED[2]	Other[3]	General Govern-ment[4]	Adjust-ments[5]	Total
	$	$	$	$	$	$	$	$	$	$	$
Taxation						446	24	62	13,276		13,808
Contributions from the federal government	45	148	57		215	24	22	117	2,718		3,346
Natural resources							3,653				3,653
Fees and licences	1,539	2	6		602	91	102	24	61		2,427
Contributions from the provincial government/self-supported Crown corporations and agencies					299	58	105	311	1,442	(334)	1,881
Miscellaneous	229	9	84		132	19	132	334	87	(49)	977
Investment earning	2	4	1	703	1	28	25	7	7	(196)	582
Total revenue	1,815	163	148	703	1,249	666	4,063	855	17,591	(579)	26,674

Summary Financial Statements
Statement of Operations by Sector
for the Fiscal Year Ended March 31, 2004—Continued

In Millions

	Health	Education	Social Services	Debt Servicing	PPP[1]	Transportation	NR and ED[2]	Other[3]	General Government[4]	Adjustments[5]	Total
Expense	$	$	$	$	$	$	$	$	$	$	$
Government transfers	10,013	5,993	2,234		631	144	124	530	21	(21)	19,669
Operating costs	372	364	241		318	482	793	505	(60)	(338)	2,677
Salaries and benefits	319	36	371		542	136	473	162	331		2,370
Interest				1,434		143	1	70		538	2,186
Other	241	504	23		59	167	84	(20)	155	(747)	466
Amortization	17	2	13		17	345	29	44	56		523
Operating expense	10,962	6,899	2,882	1,434	1,567	1,417	1,504	1,291	503	(568)	27,891
Surplus (deficit) for the year before unusual items	(9,147)	(6,736)	(2,734)	(731)	(318)	(751)	2,559	(436)	17,088	(11)	(1,217)
Restructuring exit expense	(7)				(3)		(3)	(50)	(74)	15	(122)
Surplus (deficit) for the year 2003/04	**(9,140)**	**(6,736)**	**(2,734)**	**(731)**	**(315)**	**(751)**	**2,562**	**(386)**	**17,162**	**(26)**	**(1,095)**
Surplus (deficit) for the year 2002/03	**(9,009)**	**(6,754)**	**(3,031)**	**(728)**	**(614)**	**(918)**	**2,273**	**(281)**	**15,969**	**(106)**	**(3,199)**

[1]Protection of persons and property.

[2]Natural Resources and Economic Development.

[3]Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.

[4]Includes the Legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.

[5]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements
Statement of Self-supported Crown Corporations and Agencies
Summary of Financial Position
as at March 31, 2004

In Millions

	Utility[1]	Insurance[2]	Liquor[3]	Transportation[4]	Finance[5]	Natural Resources[6]	2004 Total	2003 Total
Assets	$	$	$	$	$	$	$	$
Cash and temporary investments	77	6,490	(10)	56	73	4	6,690	5,838
Accounts receivable	329	177	49	48	44		647	619
Inventories	87		69	36	6		198	242
Long-term investments	88	31					119	396
Tangible capital assets	10,088	84	24	891	55	15	11,157	11,079
Other assets	578	117	2	98	6		801	786
	11,247	6,899	134	1,129	184	19	19,612	18,960
Liabilities								
Accounts payable and accrued liabilities	1,124	4,840	127	216	113		6,420	6,030
Deferred revenue	1,089	1,441				3	2,533	2,424
Due to the Province of British Columbia	93				71		164	402
Long-term debt due to the Province of British Columbia	6,900			467			7,367	7,270
Other long-term debt	108		7	24			139	205
	9,314	6,281	134	707	184	3	16,623	16,331
Equity								
Investment by the Consolidated Revenue Fund	296			258			554	534
Unremitted earnings—end of year	1,637	618		164		16	2,435	2,095
	1,933	618		422		16	2,989	2,629
Total liabilities and equity	**11,247**	**6,899**	**134**	**1,129**	**184**	**19**	**19,612**	**18,960**

[1]Utility—British Columbia Hydro and Power Authority and Columbia Power Corporation.
[2]Insurance—Insurance Corporation of British Columbia (ICBC).
[3]Liquor—British Columbia Liquor Distribution Branch.
[4]Transportation—British Columbia Railway Company.
[5]Finance—British Columbia Lottery Corporation and BCIF Management Ltd.
[6]Natural Resources—Provincial Capital Commission.

Summary Financial Statements
Statement of Self–supported Crown Corporations and Agencies
Summary of Results of Operations and Statement of Equity
for the Fiscal Year Ended March 31, 2004

In Millions

	Utility[1]	Insurance[2]	Liquor[3]	Transportation[4]	Finance[5]	Natural Resources[6]	2004 Total	2003 Total[7]
	$	$	$	$	$	$	$	$
Revenue	3,455	3,300	2,004	374	1,891	4	11,028	10,279
Expense	3,370	2,998	1,280	323	1,172	4	9,147	8,513
Net earnings of self–supported Crown corporations and agencies	85	302	724	51	719		1,881	1,766
Contributions paid to the Consolidated Revenue Fund	(95)	(3)	(724)		(534)		(1,356)	(1,483)
Adjustments to contributions[8]					(185)		(185)	(174)
Increase (decrease) in unremitted earnings in self–supported Crown corporations and agencies	(10)	299		51			340	109
Unremitted earnings—beginning of year	1,647	319		113		16	2,095	1,986
Adjustment to unremitted earnings								
Unremitted earnings—end of year	1,637	618		164		16	2,435	2,095
Investment by the Consolidated Revenue Fund	296			258			554	534
Equity in self–supported Crown corporations and agencies for the year	**1,933**	**618**	**0**	**422**	**0**	**16**	**2,989**	**2,629**

[1]Utility—British Columbia Hydro and Power Authority and Columbia Power Corporation.
[2]Insurance—Insurance Corporation of British Columbia (ICBC).
[3]Liquor—British Columbia Liquor Distribution Branch.
[4]Transportation—British Columbia Railway Company.
[5]Finance—British Columbia Lottery Corporation and BCIF Management Ltd.
[6]Natural Resources—Provincial Capital Commission.
[7]BC Hydro has a change in accounting policy that requires electricity trade income to be netted against corresponding energy costs. It has restated the the 2002/03 amounts, decreasing revenue and increasing expenses by $1,189 million, netting to $0.
[8]This adjustment is for British Columbia Lottery Corporation transfers to charities and local governments which is shown as a recovery by the Consolidated Revenue Fund.

Summary Financial Statements
Statement of Tangible Capital Assets[1]
for the Fiscal Year Ended March 31, 2004

In Millions

	Land and Land Improvements	Buildings	Highway Infrastructure	Ferries	Transportation Equipment	Computer Hardware / Software	Other	2004 Total	2003 Total
Historical Cost[2]	$	$	$	$	$	$	$	$	$
Opening cost	841	1,750	10,121	83	2,564	724	361	16,444	16,249
Additions	77	53	406		20	105	41	702	601
Disposals and valuation adjustments	(12)	(115)	(19)	(14)	(5)	(33)	(59)	(257)	(406)
	906	1,688	10,508	69	2,579	796	343	16,889	16,444
Accumulated Amortization									
Opening balance	71	806	3,960	68	476	467	215	6,063	5,745
Amortization expense	5	51	285	2	52	89	42	526	564
Effects of disposals and valuation adjustments	(3)	(90)		(12)	(2)	(28)	(47)	(182)	(246)
	73	767	4,245	58	526	528	210	6,407	6,063
Net book value for the year ended March 31, 2004	**833**	**921**	**6,263**	**11**	**2,053**	**268**	**133**	**10,482**	10,381
Net book value for the year ended March 31, 2003	**770**	**944**	**6,161**	**15**	**2,088**	**257**	**146**		**10,381**

[1] This statement includes assets that are held on capital leases at March 31, 2004, at a net book value totalling $32 million (2003: $45 million) comprised of: heavy equipment $0 million (2003: $4 million) and vehicles $32 million (2003: $41 million).

[2] Historical cost includes work-in-progress at March 31, 2004, totalling $295 million (2003: $191 million) comprised of: buildings $39 million (2003: $21 million); land improvements $6 million (2003: $7 million); highway infrastructure $190 million (2003: $106 million); transportation equipment $1 million (2003: $3 million); computer hardware/software $58 million (2003: $50 million); and specialized equipment $1 million (2003: $4 million). Work-in-progress is not amortized.

Summary Financial Statements
Statement of Guaranteed Debt[1]
as at March 31, 2004

Guaranteed debt represents that debt of municipalities and other governments, private enterprises and individuals, and debt and minority interests of provincial Crown corporations and agencies, which has been explicitly guaranteed or indemnified by the government, under the authority of a statute, as to net principal or redemption provisions.

	In Millions	
	2004	2003
Taxpayer-supported Guaranteed Debt	Net Outstanding[1] $	Net Outstanding[1] $
Municipalities and other local governments		
Municipal Act debentures	1	1
Subtotal, municipalities and other local governments	1	1
Government services		
Homeowner Protection Act loan guarantees	104	98
Subtotal, government services	104	98
Health and education		
Financial Administration Act student aid loans	41	54
Subtotal, health and education	41	54
Economic development		
Securities Act		1
Financial Administration Act		
Business Development Bank Guaranteed Program	1	1
Emergency Credit Enhancement Program	3	7
Farm Distress Operating Loan Program	1	3
Feeder Association's Loan Guarantee Program	5	5
Miscellaneous guarantees each less than $1 million		1
Home Mortgage Assistance Program Act mortgages	10	15
Home Mortgage Assistance Program Act second mortgages[2]	1	1
Subtotal, economic development	21	34
Total taxpayer-supported guaranteed debt	167	187

Summary Financial Statements
Statement of Guaranteed Debt[1]
as at March 31, 2004—Continued

	In Millions	
	2004	2003
Self-supported Guaranteed Debt	Net Outstanding[2] $	Net Outstanding[2] $
Economic development		
British Columbia Railway Finance Act capital leases[3]		2
Subtotal, economic development		2
Utilities		
Hydro and Power Authority Act bonds and debentures[3]		87
Subtotal, utilities		87
Total self-supported guaranteed debt		89
Grand total, all guaranteed debt	167	276
Provision for probable payout	(11)	(12)
Net total, all guaranteed debt[4]	**156**	**264**

[1] Guaranteed debt includes gross principal debt less sinking fund balances, and represents the total amount of contingent liability of the government arising from relevant guarantees.

[2] The British Columbia Second Mortgage Program was sold to the Bank of Montreal in June 1999, with the condition that the province will buy back any mortgages which may become uncollectible in future years.

[3] See the financial statements of government organizations and enterprises for details of maturity dates, interest rates and redemption features of the outstanding debt of these Crown agencies and for details of derivative financial products.

[4] Debentures totalling $0.3 million (2003: $0.3 million) have been defeased and are considered extinguished for financial reporting purposes.

Supplementary Information (Unaudited)

BRITISH COLUMBIA

Adjusted Net Income of Crown Corporations and Agencies
for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Millions

Taxpayer–supported (Government Organizations)	Revenue	Expense	Net Income	Policy Adjustments	Equity Adjustments	Adjusted Net Income
	$	$	$	$	$	$
552513 British Columbia Ltd.				2		2
B.C. Community Financial Services Corporation	1	(2)	(1)		1	
B.C. Games Society	2	(2)				
B.C. Pavilion Corporation	35	(35)		(6)		(6)
BC Transportation Financing Authority	604	(479)	125	(182)		(57)
British Columbia Assessment Authority[1]	65	(63)	2			2
British Columbia Buildings Corporation	517	(470)	47	(4)	(18)	25
British Columbia Housing Management Commission	279	(279)		8		8
British Columbia Securities Commission	23	(28)	(5)			(5)
British Columbia Transit	138	(138)		(3)		(3)
British Columbia Ferry Corporation					(503)	(503)
Canadian Blood Services	119	(118)	1	3		4
Columbia Basin Trust	25	(28)	(3)			(3)
Creston Valley Wildlife Management Authority Trust Fund	1	(1)				
Discovery Enterprises Inc.		(1)	(1)			(1)
First Peoples' Heritage, Language and Culture Council	1	(1)				
Forensic Psychiatric Services Commission	55	(54)	1	(1)		
Forestry Innovations Investment Ltd.	27	(27)		4		4
Homeowner Protection Office	24	(20)	4			4
Industry Training and Apprenticeship Commission[1]	54	(54)				
Industry Training Authority	21	(19)	2			2
Innovation and Science Council of British Columbia	5	(4)	1			1
Interim Authority for Community Living British Columbia	4	(3)	1			1

Adjusted Net Income of Crown Corporations and Agencies for the Fiscal Year Ended March 31, 2004—Continued
(Unaudited)

In Millions

	Revenue	Expense	Net Income	Policy Adjustments	Equity Adjustments	Adjusted Net Income
Taxpayer–supported (Government Organizations)—Continued	$	$	$	$	$	$
Land and Water British Columbia Inc	51	(45)	6	1		7
Legal Services Society	71	(69)	2			2
Oil and Gas Commission	21	(21)				
Organized Crime Agency of British Columbia Society	18	(18)				
Pacific National Exhibition[2]	38	(33)	5		(5)	
Partnerships British Columbia Inc	20	(12)	8	1		9
Private Post–Secondary Education Commission	1	(1)				
Provincial Rental Housing Corporation	19	(12)	7	(2)		5
Rapid Transit Project 2000 Ltd	29	(29)				
Royal BC Museum	21	(20)	1	2		3
Tourism British Columbia	33	(37)	(4)			(4)
Vancouver Convention Center Expansion Project	1		1	67		68
Net impact of taxpayer–supported Crown corporations and agencies	**2,323**	**(2,123)**	**200**	**(110)**	**(525)**	**(435)**
Self–supported (Government Enterprises)						
British Columbia Hydro and Power Authority	3,459	(3,361)	98	(21)	(93)	(16)
British Columbia Liquor Distribution Branch	2,004	(1,280)	724		(724)	
British Columbia Lottery Corporation	1,891	(1,164)	727	(8)	(719)	
British Columbia Railway Company[1]	92	(72)	20	31		51
Columbia Power Corporation	31	(23)	8		(2)	6
Insurance Corporation of British Columbia[1]	846	(764)	82	220	(3)	299
Provincial Capital Commission	3	(3)				
Net impact of self–supported Crown corporations and agencies	**8,326**	**(6,667)**	**1,659**	**222**	**(1,541)**	**340**

[1] The revenues and expenses reported for the British Columbia Assessment Authority, British Columbia Railway Company and Insurance Corporation of British Columbia are as at December 31, 2003.
[2] This organization was transferred to the City of Vancouver during the fiscal year 2003/04.
[3] These organizations were wound up during the fiscal year 2003/04.

Impact of SUCH[1] Sector
on the Summary Financial Statements Statement of Financial Position
as at March 31, 2004
(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies[3,4]	Regional Hospital Districts[3]	Universities, Colleges and Institutes[3]	School Districts[3]	Adjustments[6]	Total	Net Effect
Financial Assets	$	$	$	$	$	$	$	$
Cash and temporary investments	430	851		738	528		2,547	2,117
Accounts receivable	2,542	119		160	36	(37)	2,820	278
Inventories for resale	238			28	1		267	29
Due from the Province of British Columbia		174		17	1	(192)		
Due from other governments	344	29		21	7		401	57
Due from self-supported Crown corporations and agencies	164						164	
Equity in self-supported Crown corporations and agencies	2,989						2,989	
Loans, advances and mortgages receivable	1,048			4			1,052	4
Other investments	453	94		1,217	24		1,788	1,335
Loans for purchase of assets, recoverable from agencies	7,602					(90)	7,512	(90)
	15,810	1,267	0	2,185	597	(319)	19,540	3,730

Impact of SUCH[1] Sector on the Summary Financial Statements Statement of Financial Position as at March 31, 2004—Continued

(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies[3,4]	Regional Hospital Districts[5]	Universities, Colleges and Institutes[3]	School Districts[3]	Adjustments[6]	Total	Net Effect
Liabilities	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	3,543	1,396		442	340	(199)	5,522	1,979
Due to other governments	1,109	4		16	9		1,138	29
Due to Crown corporations, agencies and funds	123	14				(14)	123	
Due to the Province of British Columbia		3		9	3	(15)		
Deferred revenue	1,292	2,351		2,015	4,160	(7,135)	2,683	1,391
Unfunded pension liabilities	3						3	
Taxpayer-supported debt	29,431	134		426	25	(92)	29,924	493
Self-supported debt	7,507						7,507	
	43,008	3,902	0	2,908	4,537	(7,455)	46,900	3,892
Net liabilities	(27,198)	(2,635)	0	(723)	(3,940)	7,136	(27,360)	(162)
Non-financial Assets								
Tangible capital assets	10,482	3,087		3,396	5,288		22,253	11,771
Prepaid capital advances	7,136					(7,136)		(7,136)
Prepaid program costs	82	104		13	7		206	124
Other assets	144	1		12	1		158	14
	17,844	3,192	0	3,421	5,296	(7,136)	22,617	4,773
Accumulated surplus (deficit)	**(9,354)**	**557**	**0**	**2,698**	**1,356**	**0**	**(4,743)**	**4,611**

[1]School districts, Universities, Colleges and institutes, and Health care authorities.

[2]See Summary Financial Statements, Statement of Financial Position, on page 31.

[3]The province does not necessarily hold title to the assets of these organizations.

[4]Included are assets of Denominational Health care facilities. These organizations have a special relationship with government that provides them with significant autonomy. While their assets are consolidated, they are owned, managed and operated by the Denominational Health Board.

[5]For fiscal 2002/03, legislative changes have resulted in the Regional Hospital Districts being excluded from this schedule, which depicts the Summary Financial Statements as if the SUCH sector had been included.

[6]Represents adjustments to eliminate transactions that occurred within the SUCH sector, and between the SUCH sector and other consolidated entities included in the Summary Financial Statements.

Impact of SUCH[1] Sector
on the Summary Financial Statements Statement of Operations
for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies	Regional Hospital Districts[3]	Universities, Colleges and Institutes	School Districts	Adjustments[4]	Total	Net Effect
Revenue	$	$	$	$	$	$	$	$
Taxation	13,808						13,808	
Contributions from the federal government	3,346	22		182	69		3,619	273
Natural resources	3,653						3,653	
Fees and licences	2,427	224		781	110	(2)	3,540	1,113
Contributions from the provincial government/ self-supported Crown corporations and agencies	1,881	7,162		1,730	4,219	(13,111)	1,881	
Miscellaneous	977	271		640	87	(189)	1,786	809
Investment earnings	582	39		58	21	(13)	687	105
Total revenue	26,674	7,718	0	3,391	4,506	(13,315)	28,974	2,300

Impact of SUCH[1] Sector on the Summary Financial Statements Statement of Operations for the Fiscal Year Ended March 31, 2004—Continued

(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies	Regional Hospital Districts[3]	Universities, Colleges and Institutes	School Districts	Adjustments[4]	Total	Net Effect
Expense	$	$	$	$	$	$	$	$
Health	10,945	7,698				(7,321)	11,322	377
Education	6,899			3,170	4,370	(5,924)	8,515	1,616
Social services	2,871					(26)	2,845	(26)
Interest	1,451	9		29	1	(14)	1,476	25
Protection of persons and property	1,565					(15)	1,550	(15)
Transportation	1,267						1,267	
Natural resources and economic development	1,496					(10)	1,486	(10)
Other	906					(3)	903	(3)
General government	491					(2)	489	(2)
Total operating expense	27,891	7,707	0	3,199	4,371	(13,315)	29,853	1,962
Surplus (deficit) for the year before unusual items	(1,217)	11	0	192	135	0	(879)	338
Restructuring exit expense	(122)	(1)					(123)	(1)
Surplus (deficit) for the year ended March 31, 2004	**(1,339)**	**10**	**0**	**192**	**135**	**0**	**(1,002)**	**337**
Surplus (deficit) for the year ended March 31, 2003	**(3,199)**	**152**	**(340)**	**233**	**150**	**0**	**(3,004)**	**195**

[1] School districts, Universities, Colleges and institutes, and Health care authorities.

[2] See Summary Financial Statements, Statement of Operations, on page 32.

[3] For fiscal 2002/03, legislative changes have resulted in the Regional Hospital Districts being excluded from this schedule, which depicts the Summary Financial Statements as if the SUCH sector had been included in the government reporting entity. The March 31, 2003 balance reflects the write-off of Regional Hospital Districts net assets.

[4] Represents adjustments to eliminate transactions that occurred within the SUCH sector, and between the SUCH sector and other consolidated entities included in the Summary Financial Statements.

Summary Financial Statements including SUCH[1] Sector
Statement of Financial Position by Sector
as at March 31, 2004
(Unaudited)

In Millions

	Expanded Health[2]	Expanded Education[3]	Social Services	Debt Servicing	PPP[4]	Transportation	NR and ED[5]	Other[6]	General Government[7]	Adjustments[8]	Total
Financial Assets	$	$	$	$	$	$	$	$	$	$	$
Cash and temporary investments	866	1,267	11	238		14	157	(6)			2,547
Accounts receivable	209	211	77	380	136	31	725	24	1,083	(56)	2,820
Inventories for resale		29			7	10	192	20	9		267
Due from the Province of British Columbia	2					37				(39)	
Due from other governments	48	64	7		13	17	22	29	201		401
Due from self-supported Crown corporations and agencies							93		71		164
Equity in self-supported Crown corporations and agencies			5		618	422	1,934	16		(6)	2,989
Loans, advances and mortgages receivable	3	307	1		5	428	85	59	164		1,052
Other investments	121	1,241		23		76	268	59			1,788
Loans for purchase of assets, recoverable from agencies				10,839						(3,327)	7,512
	1,249	3,119	101	11,480	779	1,035	3,476	201	1,528	(3,428)	19,540

Summary Financial Statements including SUCH[1] Sector
Statement of Financial Position by Sector
as at March 31, 2004—Continued
(Unaudited)

In Millions

	Expanded Health[2]	Expanded Education[3]	Social Services	Debt Servicing	PPP[4]	Transportation	NR and ED[5]	Other[6]	General Government[7]	Adjustments[8]	Total
Liabilities	$	$	$	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	1,750	850	139	805	230	225	659	301	640	(77)	5,522
Due to other governments	34	25	6		47	3	7	2	1,014		1,138
Due to Crown corporations, agencies and funds	5						1	78	44	(5)	123
Due to the Province of British Columbia											
Deferred revenue	791	741		144	226	131	173	111	391	(25)	2,683
Unfunded pension liabilities									3		3
Taxpayer-supported debt	138	451	5	29,245	4	2,851	60	508	1	(3,339)	29,924
Self-supported debt				7,507							7,507
	2,718	2,067	150	37,701	507	3,210	900	1,000	2,093	(3,446)	46,900
Net liabilities	(1,469)	1,052	(49)	(26,221)	272	(2,175)	2,576	(799)	(565)	18	(27,360)
Non-financial Assets											
Tangible capital assets	3,170	8,697	30		65	8,438	676	1,037	140		22,253
Prepaid capital advances		22								(22)	
Prepaid program costs	119	20	1		4	22	18	13	9		206
Other assets	1	13		105	21	15	3				158
	3,290	8,752	31	105	90	8,475	697	1,050	149	(22)	22,617
Accumulated surplus (deficit)	**1,821**	**9,804**	**(18)**	**(26,116)**	**362**	**6,300**	**3,273**	**251**	**(416)**	**(4)**	**(4,743)**

[1]School districts, Universities, Colleges and institutes, and Health authorities.
[2]Comprised of Health Sector (per Summary Financial Statements) and Health authorities.
[3]Comprised of Education Sector (per Summary Financial Statements), Universities, Colleges and institutes, and School districts.
[4]Protection of Persons and Property.
[5]Natural Resources and Economic Development.
[6]Includes housing, recreation and culture and other activities that cannot be allocated to the specific sectors.
[7]Includes the legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.
[8]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements including SUCH[1] Sector
Statement of Operations by Sector
for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Millions

	Expanded Health[2]	Expanded Education[3]	Social Services	Debt Servicing	PPP[4]	Transportation	NR and ED[5]	Other[6]	General Government[7]	Adjustments[8]	Total
Revenue	$	$	$	$	$	$	$	$	$	$	$
Taxation						446	24	62	13,276		13,808
Contributions from the federal government	67	399	57		215	24	22	117	2,718		3,619
Natural resources							3,653				3,653
Fees and licences	1,763	893	6		602	91	102	24	61	(2)	3,540
Contributions from the provincial government self-supported Crown corporations and agencies	21	107			299	58	105	311	1,442	(462)	1,881
Miscellaneous	449	713	84		132	19	132	334	87	(164)	1,786
Investment earnings	41	83	1	703	1	28	25	7	7	(209)	687
Total revenue	2,341	2,195	148	703	1,249	666	4,063	855	17,591	(837)	28,974

Summary Financial Statements including SUCH[1] Sector
Statement of Operations by Sector
for the Fiscal Year Ended March 31, 2004—Continued
(Unaudited)

In Millions

	Expanded Health[2]	Expanded Education[3]	Social Services	Debt Servicing	PPP[4]	Transportation	NR and ED[5]	Other[6]	General Government[7]	Adjustments[8]	Total
Expense	$	$	$	$	$	$	$	$	$	$	$
Government transfers	3,999	553	2,234		631	144	124	530	21	(151)	8,085
Operating costs	2,081	1,234	241		318	482	793	505	(60)	(343)	5,251
Salaries and benefits	4,700	5,736	371		542	136	473	162	331		12,451
Interest	9	29		1,434		143	1	70		(210)	1,476
Other	356	615	23		59	167	84	(20)	155	(122)	1,317
Amortization	332	437	13		17	345	29	44	56		1,273
Operating expense	11,477	8,604	2,882	1,434	1,567	1,417	1,504	1,291	503	(826)	29,853
Surplus (deficit) for the year before unusual items	(9,136)	(6,409)	(2,734)	(731)	(318)	(751)	2,559	(436)	17,088	(11)	(879)
Restructuring exit expense	(8)				(3)		(3)	(50)	(74)	15	(123)
Surplus (deficit) for the year 2003/04	**(9,144)**	**(6,409)**	**(2,734)**	**(731)**	**(321)**	**(751)**	**2,556**	**(486)**	**17,014**	**4**	**(1,002)**
Surplus (deficit) for the year 2002/03	**(9,197)**	**(6,371)**	**(3,031)**	**(728)**	**(614)**	**(918)**	**2,273**	**(281)**	**15,969**	**(106)**	**(3,004)**

[1] School districts, Universities, Colleges and institutes, and Health authorities.

[2] Comprised of Health Sector (per Summary Financial Statements) and Health authorities.

[3] Comprised of Education Sector (per Summary Financial Statements), Universities, Colleges and institutes, and School districts.

[4] Protection of Persons and Property.

[5] Natural Resources and Economic Development.

[6] Includes housing, recreation and culture and other activities that cannot be allocated to the specific sectors.

[7] Includes the legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.

[8] Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Consolidated Revenue Fund Extracts (Unaudited)

BRITISH COLUMBIA

Consolidated Revenue Fund
Operating Result
for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Millions

	2004		2003
	Estimated[1]	Actual	Actual
Revenue	$	$	$
Taxation	12,755	13,219	11,846
Contributions from the federal government	3,625	2,987	3,276
Natural resource	3,367	3,616	3,255
Other	2,294	2,332	2,209
Contributions from Crown corporations and agencies	1,205	1,371	1,517
	23,246	23,525	22,103
Expense			
Health[2]	10,408	10,607	10,377
Education[2]	6,906	6,813	6,817
Social services	2,785	2,807	3,096
Interest[2,3]	926	738	711
Protection of persons and property	1,087	1,168	1,104
Transportation[2]	833	819	750
Natural resources and economic development	1,023	1,345	1,357
Other	631	523	402
General government	304	328	377
	24,903	25,148	24,991
Surplus (deficit) before unusual items	(1,657)	(1,623)	(2,888)
Liquidation dividends		510	
Restructuring exit expense	(131)	(131)	(188)
Surplus (deficit) for the year	**(1,788)**	**(1,244)**	**(3,076)**

[1] The estimated amount consists of the original Estimates presented to the Legislative Assembly February 17, 2003. It does not contain any appropriations granted in subsequent Supplementary Estimates.

[2] For 2003/04, interest expense of $526 million (2003: $453 million) is included in education expense, $181 million (2003: $151 million) is included in health expense and $158 million (2003: $139 million) is included in transportation expense.

[3] Interest expense does not include the following: interest of $686 million (2003: $748 million) on cost of borrowing for relending to government bodies; interest of $11 million (2003: $41 million) on cost of unallocated borrowing under the Warehouse Program; interest of $6 million (2003: $5 million) on borrowings under the Provincial Treasury Revenue Program; and, interest of $2 million (2003: $6 million) on cost of financial agreements entered into, on behalf of government bodies. These amounts are not included because the interest expense and recovery are offsetting.

Consolidated Revenue Fund
Schedule of Net Revenue by Source
for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Millions

	2004		2003
	Estimated $	Actual $	Actual $
Taxation Revenue[1]			
Personal income	4,725	4,878	4,154
Corporation income	755	776	613
Social service	3,962	3,966	3,770
Property	1,490	1,491	1,457
Fuel	451	461	393
Other	1,428	1,684	1,532
Commissions on collection of public funds	(31)	(29)	(32)
Valuation adjustments	(25)	(8)	(41)
Total taxation revenue	12,755	13,219	11,846
Contributions from the Federal Government			
Canada health and social transfer	2,763	3,044	2,606
Federal Equalization Program	675	(330)	543
Other contributions	187	273	127
Total contributions from the federal government	3,625	2,987	3,276
Natural Resource Revenue			
Petroleum, natural gas and minerals	1,750	2,086	1,567
Forests	1,102	1,007	1,323
Water and other	528	524	371
Commissions on collection of public funds	(2)	(1)	(1)
Valuation adjustments	(11)		(5)
Total natural resource revenue	3,367	3,616	3,255
Other Revenue			
Medical Services Plan premiums	1,412	1,415	1,358
Motor vehicle licences and permits	354	366	355
Other fees and licences	351	374	339
Investment earnings	67	63	18
Miscellaneous	242	277	245
Commissions on collection of public funds	(14)	(18)	(13)
Valuation adjustments	(118)	(145)	(93)
Total other revenue	2,294	2,332	2,209

Consolidated Revenue Fund
Schedule of Net Revenue by Source
for the Fiscal Year Ended March 31, 2004—Continued
(Unaudited)

In Millions

	2004		2003
Contributions from Government Enterprises	Estimated $	Actual $	Actual $
Taxpayer–supported Crown corporations and agencies			
British Columbia Buildings Corporation	15	18	14
Other			20
Total contributions from taxpayer–supported Crown corporations and agencies	15	18	34
Self–supported Crown corporations and agencies			
British Columbia Hydro and Power Authority	0	93	338
British Columbia Liquor Distribution Branch	655	724	654
British Columbia Lottery Corporation	533	534	489
Other	2	2	2
Total contributions from self–supported Crown corporations and agencies	1,190	1,353	1,483
Total contributions from government enterprises	1,205	1,371	1,517
Net Consolidated Revenue Fund revenue[1]	**23,246**	**23,525**	**22,103**
Liquidation dividends		**510**	
Revenue Collected for and Transferred to Crown Corporations, Agencies and Other Entities[2]			
BC Transportation Financing Authority	(418)	(416)	(222)
Greater Vancouver Transportation Authority (TransLink)	(260)	(258)	(250)
Rural area property taxes	(190)	(183)	(174)
Other Crown corporations, agencies and entities	(54)	(55)	(144)
Total	**(922)**	**(912)**	**(790)**

[1] Personal income tax and corporation income tax revenues are recorded after adjustment for tax credits. These tax credits reduced personal income tax by $110 million (2003: $101 million) and corporation income tax by $199 million (2003: $146 million). The types of adjustments to personal income tax and corporation income tax revenues are for foreign taxes, logging taxes, venture capital, political contributions, low income rent reductions, low income tax rebates and royalty tax rebates.

Personal income tax revenue is also reduced by $53 million (2003: $63 million) which represents that portion of the BC Family Bonus program costs recorded against revenue.

Additional personal income tax and corporation income tax refunds are issued under the *International Financial Business (Tax Refund) Act*. Personal income tax refunds were $0.3 million (2003: $0.4 million), and corporation income tax refunds less recoveries were $2.6 million (2003: $(0.5)million).

Property revenue is net of home owner grants of $511 million (2003: $511 million).

[2] The revenue collected for and transferred to Crown corporations, agencies and other entities has not been included in their revenue sources.

Consolidated Revenue Fund
Schedule of Comparison of Estimated Expenses to Actual Expenses for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Thousands

Special Offices, Ministries and Other Appropriations	Estimated	Other Authorizations	Total Authorizations	Actual
	$	$	$	$
Legislation	42,955		42,955	41,151
Officers of the Legislature	22,709	569	23,278	22,660
Office of the Premier	52,270		52,270	49,602
Advanced Education	1,899,007		1,899,007	1,897,252
Agriculture, Food and Fisheries	49,153	30,035	79,188	79,166
Attorney General	505,845	19,871	525,716	519,809
Children and Family Development	1,451,472		1,451,472	1,430,191
Community, Aboriginal and Women's Services	665,551	85,147	750,698	750,611
Education	4,859,939		4,859,939	4,786,636
Energy and Mines	56,631	20,299	76,930	76,930
Finance	54,870	558	55,428	53,562
Forests	564,899	277,737	842,636	839,089
Health Planning	24,154	(24,154)		
Health Services	10,185,347	343,554	10,528,901	10,452,878
Human Resources	1,417,493		1,417,493	1,394,037
Management Services	46,679	14,479	61,158	61,158
Provincial Revenue	49,642	(25)	49,617	48,781
Public Safety and Solicitor General	506,684	92,737	599,421	598,850
Skills Development and Labour	25,637		25,637	19,925
Small Business and Economic Development	114,706	1,481	116,187	114,687
Sustainable Resource Management	92,297		92,297	91,384
Transportation	834,366		834,366	819,523
Water, Land and Air Protection	130,057	489	130,546	129,250
Management of Public Funds and Debt	926,000		926,000	738,430
Contingencies (All Ministries) and New Programs[1]	170,000	(107,258)	62,742	
Government Restructuring (All Ministries)	190,000		190,000	167,843
BC Family Bonus	85,000		85,000	80,259
Citizens' Assembly	1,500	852	2,352	2,352
Commissions on Collection of Public Funds and Allowances for Doubtful Revenue Accounts	1		1	
Environmental Assessment Office	2,897		2,897	2,853
Environmental Appeal Board and Forest Appeals Commission	1,895		1,895	1,183
Forest Practices Board	4,344		4,344	4,226
Build BC Special Account		58,822	58,822	58,822
Transfer from the Build BC Special Account to the General Account		(58,822)	(58,822)	(58,822)
Insurance and Risk Management Special Account		4,083	4,083	4,083
Total expense including restructuring exit expense	**25,034,000**	**760,454**	**25,794,454**	**25,278,361**
Restructuring exit expense[2]	(130,728)		(130,728)	(130,728)
Total expense	**24,903,272**	**760,454**	**25,663,726**	**25,147,633**

Consolidated Revenue Fund
Schedule of Comparison of Estimated Expenses to Actual Expenses for the Fiscal Year Ended March 31, 2004—Continued
(Unaudited)

In Thousands

Summary of Appropriations	Estimated	Other Authorizations	Total Authorizations	Actual
	$	$	$	$
Voted expense	24,680,861	810,771	25,491,632	24,981,442
Statutory				
Various Acts		19,523	19,523	19,523
Special Accounts	438,074	677,547	1,115,621	1,085,481
Inter-account transfers	(84,935)	(747,387)	(832,322)	(808,085)
Total expense by appropriation including restructuring exit expense—2003/04	**25,034,000**	**760,454**	**25,794,454**	**25,278,361**
Restructuring exit expense[2]	(130,728)		(130,728)	(130,728)
Total expense by appropriation—2003/04	**24,903,272**	**760,454**	**25,663,726**	**25,147,633**
Total expense by appropriation—2002/03	**25,367,730**	**306,302**	**25,674,032**	**24,991,223**

[1]Budget for Contingencies has been reallocated to ministries with approved access.
[2]See Note 1—Significant Accounting Policies for information.

Consolidated Revenue Fund
Schedule of Financing Transaction Disbursements
for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Thousands

	Estimated	Other Authorizations	Total	Actual Disbursements
Special Offices, Ministries and Other Appropriations	$	$	$	$
Legislation	670	127	797	797
Officers of the Legislature	1,297		1,297	665
Office of the Premier	609		609	428
Advanced Education	423,525		423,525	351,762
Agriculture, Food and Fisheries	4,990		4,990	883
Attorney General	28,079	279	28,358	15,535
Children and Family Development	17,150		17,150	5,438
Community, Aboriginal and Women's Services	3,617		3,617	3,147
Education	200,129	938	201,067	145,045
Energy and Mines	68,460	3,711	72,171	72,171
Finance	5,876		5,876	3,315
Forests	50,300	11,484	61,784	61,784
Health Planning	600	(600)	0	
Health Services	218,531	600	219,131	155,210
Human Resources	15,328		15,328	5,627
Management Services	58,665		58,665	33,323
Provincial Revenue	936,874	1,753	938,627	919,232
Public Safety and Solicitor General	7,430		7,430	4,455
Skills Development and Labour	3,512		3,512	739
Small Business and Economic Development	652	1,004	1,656	1,656
Sustainable Resource Management	9,342		9,342	6,571
Transportation	52,840	427,701	480,541	450,285
Water, Land and Air Protection	86,920		86,920	49,744
Contingencies (All Ministries) and New Programs	30,000	(2,289)	27,711	
Government Restructuring (All Ministries)	15,000		15,000	10,810
Environmental Assessment Office	103		103	34
Environmental Appeal Board and Forest Appeals Commission	45		45	
Forest Practices Board	100		100	35
Insurance and Risk Management	670		670	376
Total financing transaction disbursements	2,241,314	444,708	2,686,022	2,299,067
Summary of Appropriations				
Loans, investments and other requirements	337,954	440,527	778,481	694,882
Prepaid capital advances	656,300		656,300	508,138
Revenue collected for, and transferred to, other entities	922,400	3,574	925,974	911,551
Capital Expenditures				
Land and land improvements	84,100		84,100	48,568
Buildings	1,050		1,050	461
Specialized equipment	15,762	480	16,242	15,078
Office furniture and equipment	7,162	127	7,289	5,967
Vehicles	12,144		12,144	10,528
Information systems	150,862		150,862	91,114
Tenant improvements	18,580		18,580	12,780
Other	35,000		35,000	
Total financing transactions by appropriation	2,241,314	444,708	2,686,022	2,299,067

Consolidated Revenue Fund
Schedule of Information Required Under Section 9(2)(d)(ii),(iii) and (iv) of the *Budget Transparency and Accountability Act* for the Fiscal Year Ended March 31, 2004
(Unaudited)

In Millions

Ministry	Assets, Debts and Obligations Written Off	Debts and Obligations Extinguished	Remissions Made
	$	$	$
Advanced Education	1		
Children and Family Development	1		
Forests	3		
Health Services	13		4
Human Resources	12		
Management Services	7		
Provincial Revenue	15		
Public Safety and Solicitor General	4		
Small Business and Economic Development		6	
Sustainable Resource Management	1		
Total 2003/04	57	6	4
Total 2002/03	180	8	1

This statement includes amounts authorized by sections 17, 18, and 19 of the *Financial Administration Act*. Amounts authorized for write-off, forgiveness or remission by other statutes are not shown separately in these financial statements.

Provincial Debt Summary

BRITISH COLUMBIA

Overview of Provincial Debt
(Unaudited)

The provincial government and its Crown corporations and agencies incur debt to finance operations and capital projects. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads, public transit and other social and economic capital assets. As these investments provide essential services over several years, the government, like the private sector, borrows to fund these projects and amortizes the cost over the asset's useful life.

Provincial debt is reported using two basic classifications: (1) taxpayer–supported debt and (2) self–supported debt.

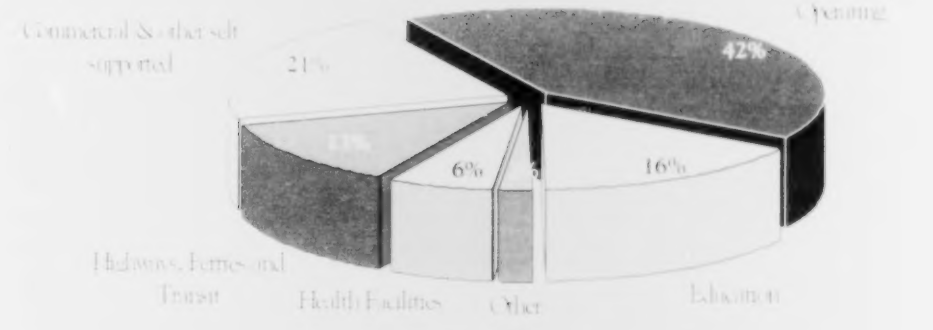
Taxpayer–supported Debt—includes government direct debt, which is incurred for government operating and capital purposes, and the debt of those Crown corporations and agencies that require an operating or debt service subsidy from the provincial government or that are fully consolidated in the Summary Financial Statements. Examples include debt of the British Columbia Buildings Corporation and the BC Transportation Financing Authority.

Self–supported Debt—includes the debt of commercial Crown corporations and agencies as well as the Warehouse Program. Commercial Crown corporations and agencies generate sufficient revenues to cover interest costs and repay principal and may pay dividends to the province. The British Columbia Hydro and Power Authority and the British Columbia Railway Company are examples of commercial Crown corporations. The Warehouse Program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to the province, Crown corporations or agencies. In the interim, these funds are invested at market rates.

The following provincial debt summary provides additional detailed information and related key indicators and benchmarks to allow a more informed assessment of the debt totals. A reconciliation is also provided to explain the differences between the Summary of Provincial Debt and the Summary Financial Statements.

The total provincial debt as at March 31, 2004 was $37,337 million which consists of $36,938 million in the Summary Financial Statements, with $232 million in additional debt of self–supported Crown corporations and agencies and $167 million in additional taxpayer–supported debt.

Provincial Debt
as at March 31, 2004
(Unaudited)



Provincial Debt
as at March 31, 2004
(Unaudited)

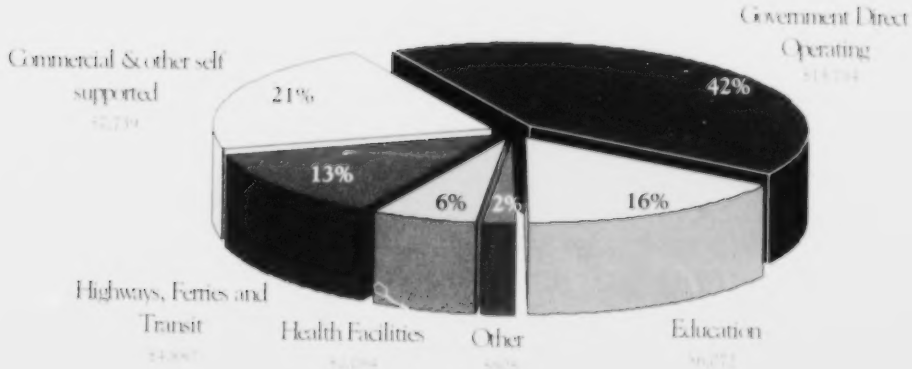
The accumulated provincial debt of $37,337 million has been incurred for various purposes as shown in Chart 1 below. Over the years, borrowing activity has contributed to economic development in the province and has provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2004, taxpayer-supported debt totalled $29,598 million—including debt incurred for government operating purposes ($15,754 million), educational facilities ($6,072 million), health facilities ($2,084 million), transportation infrastructure ($4,880 million) and other debt ($808 million). Other debt is comprised mainly of British Columbia Buildings Corporation, debt relating to social housing, and loans to universities and colleges.

At March 31, 2004, self-supported debt relating to commercial Crown corporations and agencies totalled $7,739 million. Commercial debt includes the debt of British Columbia Hydro and Power Authority, British Columbia Railway Company and debt relating to Columbia River power projects.

Chart 1

In Millions Percent of Total



Total: $37,337 Million

Operations debt includes capital leases, infrastructure debt incurred prior to 2004/05, debt retirement, debt transferred in 1990/91 and amounts required to finance operating deficits.

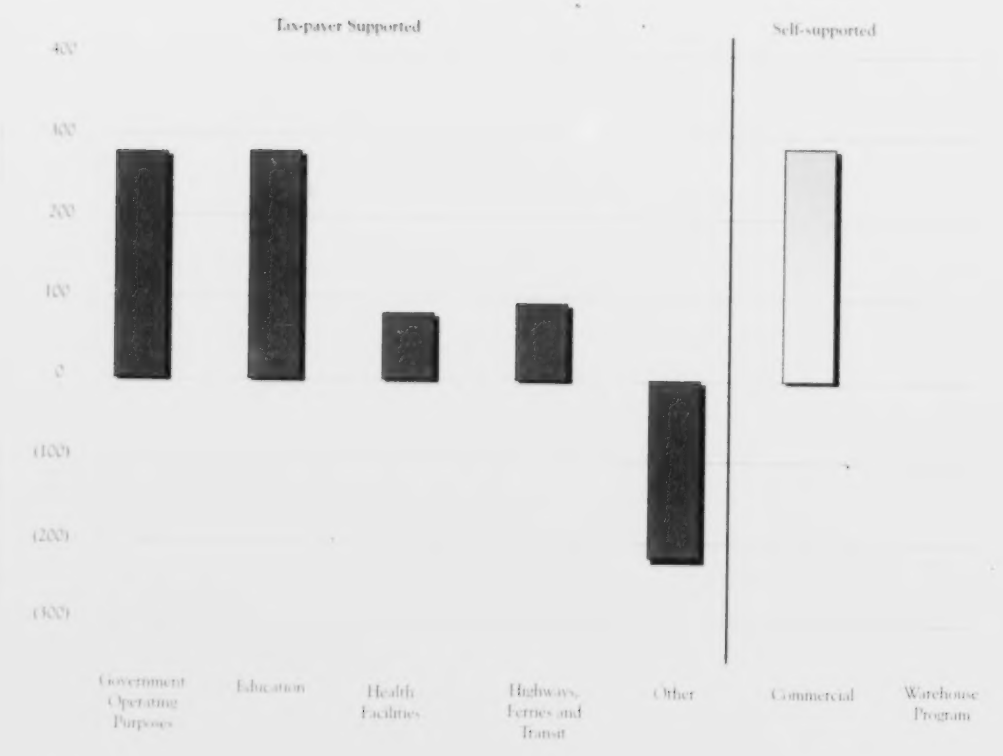
Change in Provincial Debt[1]
(Unaudited)

Provincial debt increased by $798 million in 2003/04; this included increases in taxpayer-supported debt of $511 million and in self-supported debt of $287 million (see Chart 2 below).

Taxpayer-supported Debt—The 2003/04 increase of $511 million was due to an increase ($277 million) in government operating debt to finance the operating deficit partially offset by higher cash balances at the start of the year, cash flows for health accord funding and other working capital sources. The increase also included new capital financing (partially offset by changes in sinking fund balances) totalling $453 million, used to fund various provincial infrastructures in the education ($279 million), health ($80 million), and transportation ($94 million) sectors. Other debt decreased by $219 million mainly due to reductions in debt of the British Columbia Buildings Corporation.

Self-supported Debt—The 2003/04 increase of $287 million consists of a $256 million increase in British Columbia Hydro and Power Authority's debt and a $97 million increase in debt relating to Columbia River power projects, offset by reductions in other self-supported debt ($66 million) primarily relating to British Columbia Railway Company and Columbia Power Corporation.

Chart 2



[1] Includes gross new borrowings plus changes in sinking fund balances, less debt maturities.

Reconciliation of Summary Financial Statements (Surplus) Deficit to Change in Taxpayer–supported Debt and Total Debt for the Fiscal Year Ended March 31, 2004
(Unaudited)

	In Millions 2004	2003[1]
	$	$
(Surplus) deficit for the year	1,339	3,199
Taxpayer–supported debt decreased by:		
Non–cash expenses included in (surplus) deficit	(1,182)	(1,380)
Accounts receivable, accounts payable and other working capital net decreases	(1,191)	(995)
	(2,373)	(2,375)
Taxpayer–supported debt increased by:		
Self–supported Crown corporation and agency earnings in excess of contributions to the CRF	340	109
Prepaid capital advances	496	490
Tangible capital asset net acquisitions	73	392
Net increases in loans, advances and investments	636	79
	1,545	1,070
Net increase (decrease) in taxpayer–supported debt	511	1,894
Taxpayer–supported debt—beginning of year	29,087	27,193
Taxpayer–supported debt—end of year	29,598	29,087
Self–supported debt[2]	7,739	7,452
Total debt[3]	**37,337**	**36,539**

Reconciliation of Total Debt to the Summary Financial Statements Debt as at March 31, 2004
(Unaudited)

	In Millions 2004	2003[1]
	$	$
Total debt	37,337	36,539
Debt included as part of equity in self–supported Crown corporations and agencies	(232)	(226)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province	(167)	(189)
Summary Financial Statements debt	**36,938**	**36,124**
Comprised of		
Taxpayer–supported debt	29,431	28,899
Self–supported debt	7,507	7,225
	36,938	**36,124**

[1] Restated. See Note 26.
[2] See Summary of Provincial Debt, page 113.
[3] Total debt includes debt of self–supported Crown corporations and agencies, and debt of individuals and organizations guaranteed by the province.

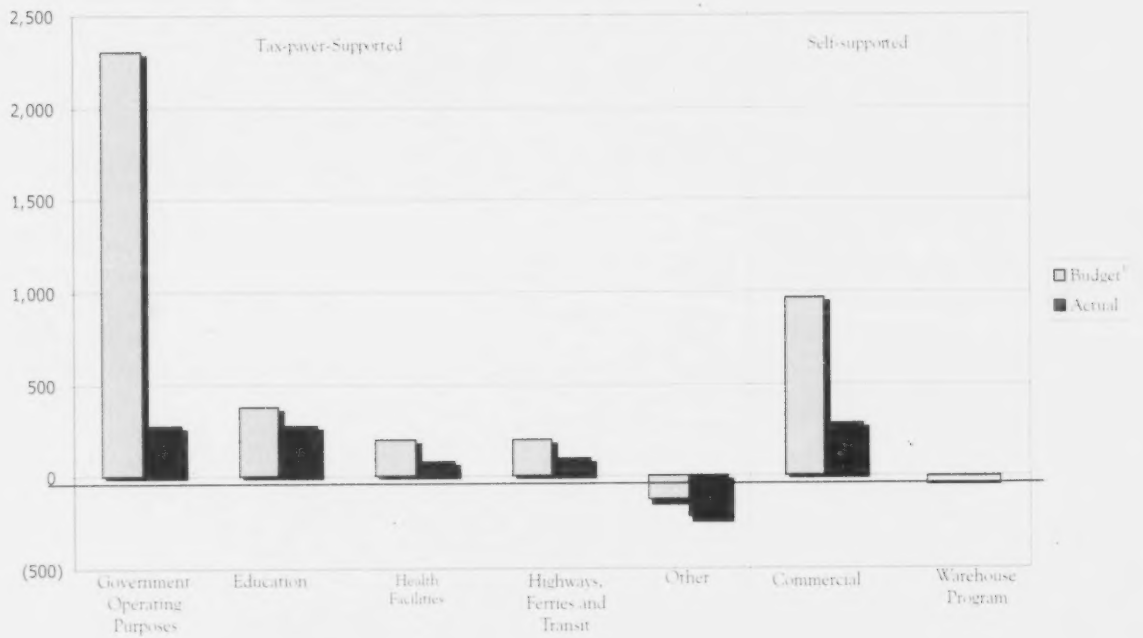
Change in Provincial Debt
Comparison to Budget
(Unaudited)

The increase in provincial debt was $3,629 million less than originally budgeted (per the Budget and Fiscal Plan presented in February 2003, adjusted to reflect the restated Public Accounts balance at March 31, 2003). Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category. The increase in taxpayer-supported debt was $2,448 million less than budget and the increase in self-supported debt was $681 million lower than budget. In addition, the $500 million forecast allowance included in the budget was not required.

Taxpayer-supported Debt—The increase was $2,448 million lower than budget due to reduced borrowing for government operating purposes ($2,028 million) due to improved operating results, higher than forecast cash balances at the start of the year, updated cash flow information for health accord funding, and reduced financing transaction requirements; lower than forecast capital spending and changes in sinking fund balances ($326 million) on education, health and transit infrastructure and lower than expected debt of the British Columbia Buildings Corporation and other agencies ($94 million).

Self-supported Debt—The increase was $681 million lower than budget as a result of reduced debt for British Columbia Power and Hydro Authority ($649 million) due to improved operating results and lower working capital requirements, and lower debt of other self-supported Crown corporations and agencies ($32 million).

Chart 3
In Millions



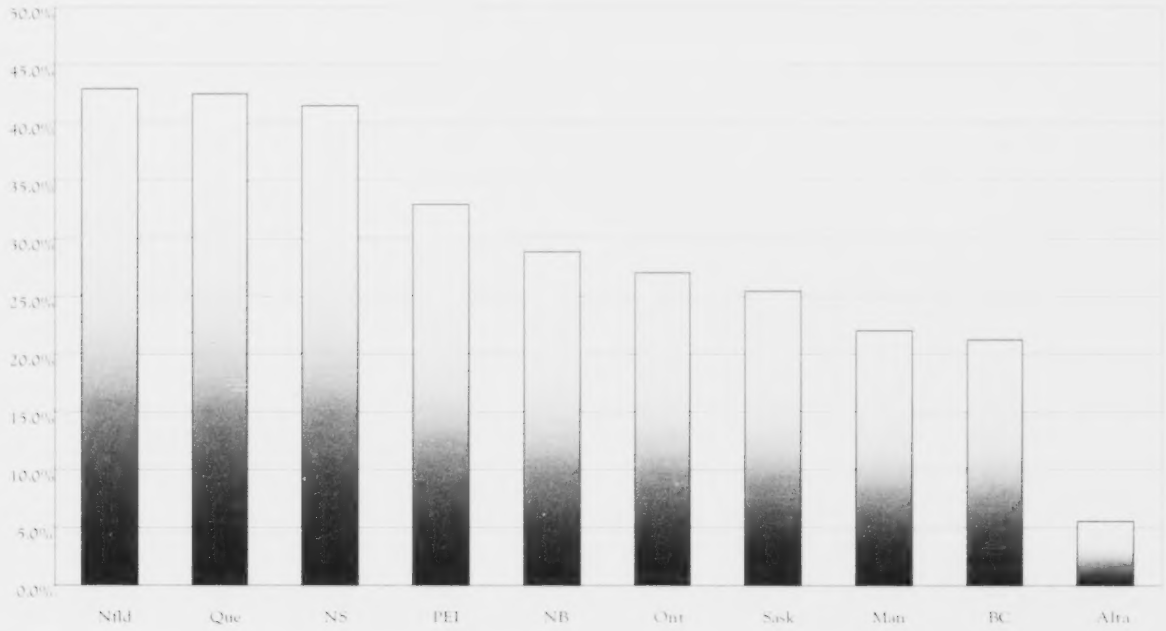
[1] Adjusted to reflect restated Public Account balances at March 31, 2003.

Interprovincial Comparison of Taxpayer–supported Debt as a Percentage of Gross Domestic Product
(Unaudited)

Chart 4 below shows the ratio of each province's taxpayer–supported debt as a percentage of their Gross Domestic Product (GDP). The ratio of a province's taxpayer–supported debt relative to its GDP highlights the ability of a province to service its debt load. This rating is often used by investors and credit rating agencies when assessing a province's investment quality. British Columbia's taxpayer–supported debt ratio is one of the lowest in Canada and this translates into a strong credit rating and relatively low debt servicing costs. According to Moody's Investors Services Inc., British Columbia has the second lowest taxpayer-supported debt to GDP ratio of all provinces, based on May 2004 estimates.

Chart 4

Percent of GDP, at March 31, 2004



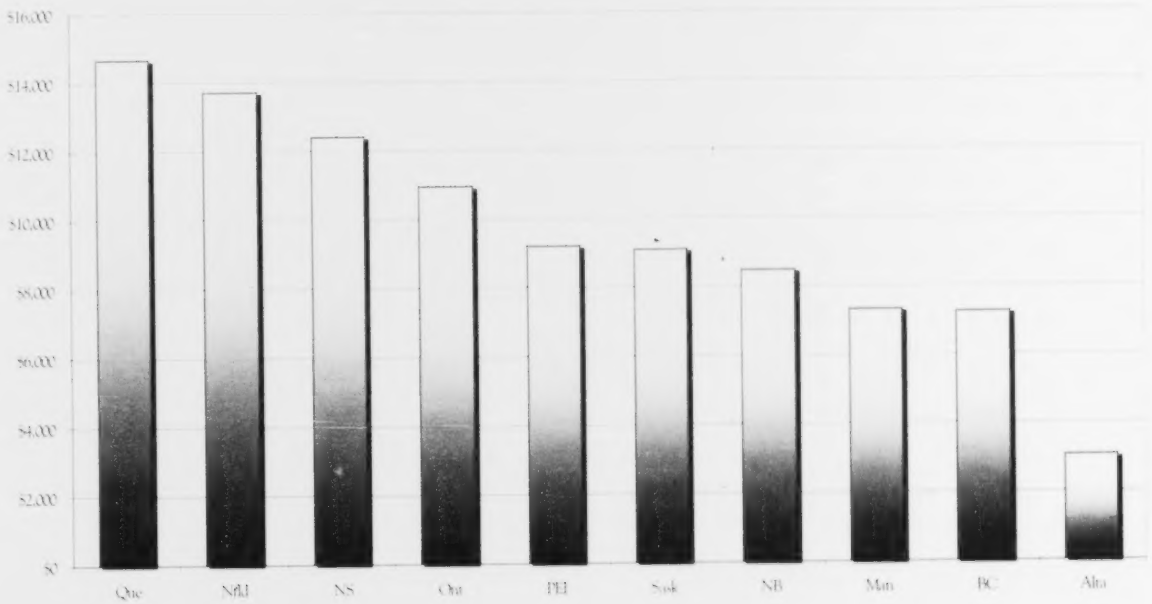
Source: Moody's Investors Service Inc., based on May 2004 Estimates

Interprovincial Comparison of Taxpayer–supported Debt per Capita
(Unaudited)

Chart 5 shows the inter-provincial taxpayer-supported debt per capita, which is the amount of taxpayer-supported debt owing for each resident in a province. According to the Moody's Investors Service, British Columbia has the second lowest taxpayer-supported debt per capita of all provinces, based on May 2004 estimates.

Chart 5

$ Per capita , at March 31, 2004



Source: Moody's Investors Service Inc., based on May 2004 Estimates.

More comprehensive information on the debt of the province and its Crown corporations and agencies is provided on the Debt Management Branch web-site. This more detailed information can assist readers in assessing the province's debt position. The web-site is available on the Internet at: http//www.fin.gov.bc.ca/PT/dmb/index/shtml.

Report of the Auditor General of British Columbia

ON THE SUMMARY OF PROVINCIAL DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF PERFORMANCE MEASURES

To the Legislative Assembly
of the Province of British Columbia

Preamble

Each year since 1995 the Auditor General has provided a special report to the Legislative Assembly on the accuracy of debt-related statements prepared by the Government. For the 2003/04 fiscal year these statements are the Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures. Through these statements the Government reports on its debt management by presenting five years of information on provincial debt and debt indicators, and compares its actual results of Performance Measures to its benchmark measures for the fiscal year ended March 31, 2004.

Consistent with prior years, in preparing these statements, and in the 2003/04 budget, the government reporting entity has been that which is defined by the Canadian Institute of Chartered Accountants but excludes schools, universities, colleges and institutes, and health care organizations (SUCH sector). Accordingly, in these statements the provincial debt, whether directly borrowed or guaranteed by the Government, does not include amounts borrowed from private lenders by SUCH sector organizations. For the 2003/04 fiscal year, the outstanding balance of these excluded borrowings amounted to $493 million ($368 million for 2002/03).

The preparation of the three statements named above is the responsibility of the Government. My responsibility is to express an opinion on the accuracy of such information based on the above definition of the reporting entity and provincial debt.

. . . 2

Scope

I examined financial and other information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2004, Key Indicators of Provincial Debt for the five years ended March 31, 2004, and Summary of Performance Measures for the year ended March 31, 2004 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by me or by other auditors whose work I have reviewed on a test basis. These procedures also include confirming or assessing the reasonableness of the non-financial and statistical data used by the Government for the Province's credit rating, population and gross domestic product; however, I did not perform an audit of such data.

Opinion

As a result of applying these procedures, I am of the opinion that the information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2004, Key Indicators of Provincial Debt for the five years ended March 31, 2004, and Summary of Performance Measures for the year ended March 31, 2004 are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a consistent manner.

Disclaimer

I have not been associated with the development of the Government plans to manage provincial debt, nor have I audited them. This is the responsibility of the government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph, based on the definition of the reporting entity and provincial debt as outlined in the preamble to this report.

Wayne Strelioff

Victoria, British Columbia
May 14, 2004

Wayne Strelioff, FCA
Auditor General

Summary of Provincial Debt[1] as at March 31

	In Millions				
	2004	2003	2002	2001	2000
Taxpayer-supported Debt	$	$	$	$	$
Provincial government direct operating[2]	15,754	15,477	13,805	12,045	13,735
Education[3]					
Schools	4,384	4,294	4,092	3,880	3,609
Post-secondary educational institutions	1,688	1,499	1,425	1,383	1,369
	6,072	5,793	5,517	5,263	4,978
Health facilities[3]	2,084	2,004	1,920	1,780	1,451
Highways, ferries and public transit					
BC Transportation Financing Authority	2,764	2,661	2,514	2,197	1,843
British Columbia Ferry Corporation[2]			19	21	24
British Columbia Transit	83	87	79	75	79
Public transit[3]	914	930	936	948	952
SkyTrain extension[3]	1,119	1,105	1,044	836	488
Rapid Transit Project 2000 Ltd.		3	47	114	101
	4,880	4,786	4,639	4,191	3,487
Other					
British Columbia Buildings Corporation	317	456	596	610	615
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[4]				337	
Social housing[3]	156	161	299	265	205
Homeowner Protection Office	129	123	113	71	34
Universities and colleges	90	105	114	124	130
577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.)					62
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)[2]					3
Other[5]	116	182	190	244	357
	808	1,027	1,312	1,651	1,406
Total taxpayer-supported debt	29,598	29,087	27,193	24,930	25,057

Summary of Provincial Debt[1] as at March 31—Continued

In Millions

	2004	2003	2002	2001	2000
Self-supported Debt	$	$	$	$	$
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority	7,040	6,784	6,670	6,649	6,880
British Columbia Railway Company	477	494	614	603	655
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[4]					280
Columbia River power projects[7]	215	118	120	93	94
Columbia Power Corporation		47	64	20	
British Columbia Liquor Distribution Branch	7	9	13	2	3
	7,739	7,452	7,481	7,367	7,912
Warehouse Program			1,067	1,312	1,320
Total self-supported debt	7,739	7,452	8,548	8,679	9,232
Total provincial debt	**37,337**	**36,539**	**35,741**	**33,609**	**34,289**

[1]Debt is after deductions of sinking funds, unamortized discounts, unrealized foreign exchange gains (losses), and, excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for 2004 and to reflect changes in underlying data.

[2]Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre—$70 million).

[3]Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[4]Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the debt was reclassified as being taxpayer-supported in 2000/01. In fiscal 2001/02, the company's debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million), as Skeena Cellulose Inc. was sold to the private sector.

[5]Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

[6]Includes debt of Land and Water British Columbia Inc., the Pacific National Exhibition, other taxpayer-supported Crown corporations and agencies and the fiscal agency loans to local governments. Also includes student loan guarantees, loan guarantees to agricultural producers, guarantees under economic development and home mortgage assistance programs.

[7]Joint ventures of Columbia Power Corporation and Columbia Basin Trust.

Key Indicators of Provincial Debt[1] for the Fiscal Years Ended March 31

	2004		2003	2002	2001	2000
	Budget Estimate[2]	Actual	Actual	Actual	Actual	Actual
Debt to Revenue (percent)						
Total provincial	112.1	104.2	108.9	94.8	82.7	101.4
Taxpayer-supported	124.4	112.4	116.2	104.2	90.0	100.6
Debt per Capita ($)[3]						
Total provincial	9,800	9,003	8,879	8,764	8,321	8,549
Taxpayer-supported	7,667	7,137	7,069	6,668	6,172	6,247
Debt to GDP (percent)[4]						
Total provincial	29.4	26.2	27.0	27.1	25.6	28.4
Taxpayer-supported	23.0	20.8	21.5	20.6	19.0	20.7
Interest Bite (cents per dollar of revenue)[5]						
Total provincial	7.3	6.3	6.7	6.4	6.4	7.5
Taxpayer-supported	7.7	6.5	6.6	6.6	6.8	7.2
Interest Costs ($ millions)						
Total provincial	2,666	2,241	2,233	2,423	2,604	2,528
Taxpayer-supported	1,982	1,707	1,662	1,724	1,871	1,785
Interest Rate (percent)[6]						
Taxpayer-supported	6.5	5.8	5.9	6.6	7.5	7.4
Background Information						
Revenue ($ millions)						
Total provincial[7, 8]	36,528	35,824	33,545	37,689	40,618	33,804
Taxpayer-supported[9]	25,757	26,334	25,034	26,108	27,690	24,909

Key Indicators of Provincial Debt[1] for the Fiscal Years Ended March 31—Continued

	2004		2003	2002	2001	2000
	Budget Estimate[2]	Actual	Actual	Actual	Actual	Actual
Total Debt ($ millions)						
Total provincial	40,966	37,337	36,539	35,741	33,609	34,289
Taxpayer-supported[3]	32,046	29,598	29,087	27,193	24,930	25,057
Provincial GDP ($ millions)[4]	139,540	142,418	135,552	132,050	131,086	120,921
Population (thousands at July 1)[12]	4,180	4,147	4,115	4,078	4,039	4,011

[1]Figures for prior years have been restated to conform with the presentation used for 2004 and to include the effects of changes in underlying data and statistics.

[2]Represents the budget estimate as presented in the Budget and Fiscal Plan tabled February 18, 2003.

[3]The ratio of debt to population (e.g. 2003/04 debt divided by population at July 1, 2003).

[4]The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 2003/04 debt divided by 2003 GDP).

[5]The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

[6]Weighted average of the cost of all outstanding debt issues.

[7]Total provincial revenue has been restated to reflect a change in accounting policy for power utilities. Electricity trade activities that are supported by derivative purchases and sales are now reported on a net basis (no bottom line impact). This resulted in a revenue decrease (and an offsetting decrease in expense) of $1.3 billion in 2002/03 and $1.1 billion in 2003/04 for BC Hydro. Amounts for previous years have not been restated as information is not available. This restatement effects the calculation of two indicators: total provincial debt to revenue and total provincial interest bite.

[8]Includes revenue of the Consolidated Revenue Fund plus revenue of all Crown corporations and agencies.

[9]Excludes revenue of commercial Crown corporations and agencies.

[10]Excludes debt of commercial Crown corporations and agencies, and funds held under the province's Warehouse Borrowing Program.

[11]GDP for the calendar year ending in the fiscal year (e.g. GDP for 2003 is used for the fiscal year ending March 31, 2004).

[12]Population at July 1st within the fiscal year (e.g. population at July 1, 2003 is used for the fiscal year ending March 31, 2004).

Summary of Performance Measures[1] for the Fiscal Year Ended March 31, 2004

	2004 Target	2004 Actual	2003 Actual
Provincial credit rating[2]	Aa2	Aa2	Aa2
Debt to GDP ratio[2]	In the lowest 3	2nd lowest	2nd lowest
Debt service costs as a percentage of revenue[2]	2nd lowest	2nd lowest	2nd lowest

[1]Performance measures as presented in the Ministry of Finance Service Plan in February 2003.

[2]Moody's Investor Service Inc., based on May 2004 estimates. The debt to GDP and debt service costs as a percentage of revenue performance measures represent inter-provincial comparisons.

(Unaudited)

Definitions

Consolidated Revenue Fund (CRF)—includes the taxpayer–supported activities of the General Fund and special funds of government through which the government delivers central government programs. It does not include the activities of government operated through Crown corporations or agencies.

Consolidation—the methods used to combine the results of Crown corporations and agencies with the Consolidated Revenue Fund. The two methods used are:

(1) full or proportional consolidation—the accounts of the Crown corporation or agency are adjusted to a basis consistent with the accounting policies of the government. The operating result and financial position of the Crown entities are combined on a "line–by–line" basis. Inter–entity accounts and transactions are eliminated upon consolidation. Proportional consolidation differs from full consolidation in that only the government's portion of operating and financial results is combined on a "line–by–line" basis.

(2) modified equity consolidation—the original investment of the government in the Crown corporation or agency is initially recorded at cost and adjusted annually to include the net earnings/losses and other net equity changes of the entity. There is no adjustment to conform to government accounting policies. Since the government ensures the ongoing activities of self–supported Crown corporations and agencies, full account is taken of losses in these entities, even when cumulative losses exceed the original investment. Accounts and transactions between self–supported entities are not eliminated; however, profit elements included in such transactions, including certain increases in contributed surplus, are eliminated.

Debt—represents the par value of the debt less sinking fund balances, internally held debt, unamortized discount and premiums, and unrealized foreign exchange gains or losses.

Deficit—meaning is dependent upon the statement to which it applies:

(i) Statement of Financial Position: the accumulated deficit is the amount by which the total liabilities of the government exceed its total assets.

(ii) Statement of Operations: the annual deficit is the amount by which the total annual expenses for the operating year exceed total annual revenues (see "Surplus" definition).

Entitlement—a government transfer that the government must make if the recipient meets specified eligibility criteria. Entitlements are non–discretionary in the sense that both eligibility criteria and the amount of the payment are prescribed in a statute or regulation.

Financial assets—assets on hand at the end of the accounting period, including cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities, that could provide resources to discharge existing liabilities or finance future operations.

Government business partnership—a government partnership that has all the following characteristics:

(i) is a separate legal entity with the power to contract in its own name and that can sue or be sued;

(ii) has been delegated the financial and operational authority to carry on a business;

(iii) sells goods and/or services to individuals and organizations outside the government reporting entity as its principal activity; and

(iv) can, in the normal course of its operation, maintain its operations and meet its liabilities from revenue received from sources outside the government reporting entity.

Government partnership—a contractual arrangement between the government and a party or parties outside the government reporting entity that has all the following characteristics:

(i) the partners co–operate toward achieving significant, clearly defined common goals;

(ii) the partners make a financial investment in the government partnership;

(iii) the partners share control of decisions related to the financial and operating policies of the government partnership on an ongoing basis; and

(iv) the partners share, on an equitable basis, significant risks and benefits associated with the operation.

Definitions —Continued

Government transfers—transfers of money from government to an individual, organization or another government from which the government making the transfer does not:

(i) receive any goods or services directly in return;

(ii) expect to be repaid in the future; nor

(iii)expect a financial return.

Grants—a government transfer made at the sole discretion of the government. The government has the discretion to decide whether or not to make the grant, the conditions to be complied with, if any, the amount of the grant and to whom to provide the grant.

Net liabilities—the amount by which the total liabilities of the government exceed its total financial assets. The separate calculation of this number on the Statement of Financial Position is unique to financial statements for Canadian senior governments. Can also be referred to as "net debt"; however, as this term can be confused with the term "debt" (see definition), the more descriptive net liabilities terminology is used by this province. Excludes non–financial assets such as buildings and prepaid expenses from total assets on the Statement of Financial Position.

Provincial government direct debt—combines the government direct operating debt and the debt incurred to finance education, health facilities and public transit. This combined portfolio represents the debt for which the government has direct responsibility for the associated debt service costs.

Self–supported Crown corporations and agencies—all Crown corporations and agencies that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature and are owned or controlled by the government. In addition, they must also carry on a business that sells goods and/or services to persons outside the government reporting entity as their principal activity and maintain operations and meet liabilities from revenue received outside the government reporting entity in the normal course of operations. This also includes the government's interest in government business partnerships.

Summary Accounts—the financial position and operating result of the government reporting entity including the Consolidated Revenue Fund and Crown corporations and agencies; the amounts represented by the Summary Financial Statements of the government.

Surplus—meaning is dependent upon the statement to which it applies:

(i) Statement of Financial Position: the accumulated surplus is the amount by which the total assets of the government exceed its total liabilities.

(ii) Statement of Operations: the annual surplus is the amount by which the total annual revenues for the operating year exceed total annual expenses (see "Deficit" definition).

Taxpayer–supported Crown corporations and agencies—all Crown corporations and agencies outside the Consolidated Revenue Fund that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature and are owned or controlled by the government. In addition, they must not meet the criteria for being self–supported. This also includes the government's interest in government partnerships that are not government business partnerships.

Transfers under agreements (including shared cost)—a government transfer that is a reimbursement of eligible expenditures pursuant to an agreement between the government and the recipient. The recipient usually spends the money first, and the government has some input into how the money is spent.

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Victoria, 2004

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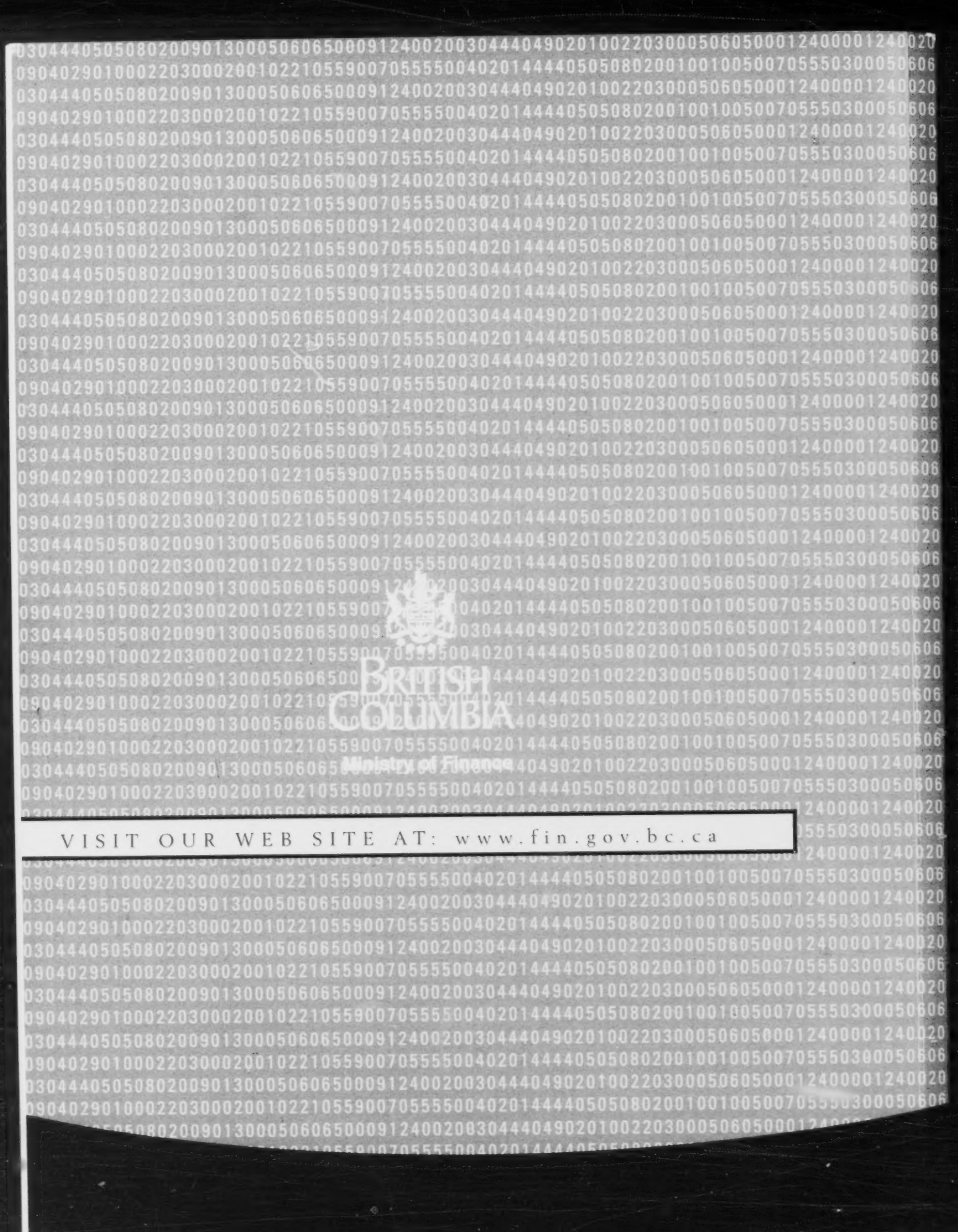
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